FINANCIAL TIMES

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Germany agrees to continue with modified EFA

Britain and Germany patched up a six-month quarrel over the European Fighter Aircraft, enabling work to continue on a modified project. The compromise, reached during a Nato ministerial meeting, brings relief to aerospace and electronics manufacturers in Germany, the UK, Italy and Spain where tens of thousands of jobs are staked on the $31bn programme. Page 20

Bentsen named US Treasury secretary: President-elect Bill Clinton named Texas Senator Lloyd Bentsen as Treasury secretary, the first major appointment of the incoming administration and a reassuring nomination for the financial community. Page 8

County NatWest quits Tokyo: County NatWest, securities arm of National Westminster Bank, became the first foreign stockbroker to announce a total withdrawal from the Tokyo stock market. Page 21

Somali clash leaves two dead: US Marines and French paratroopers exchanged fire with Somali gunmen, leaving two people dead and 14 injured. The clash came as a US official admitted that some American troops could stay in Somalia for up to a year. Page 20

Gencor, South African mining house, is still interested in buying Lonrho's Western Platinum mine despite Lonrho's deal with Dieter Bock. Page 21

Military action not ruled out: Military action may be needed to enforce the no-fly zone over Bosnia if all else fails, Lord Owen, co-chairman of the Geneva peace conference, said in London. Page 4

Carmakers to publish prices: Carmakers must publish twice-yearly lists of comparative prices of certain vehicles in EC countries under a Commission plan aimed at helping consumers shop for bargains across EC borders. Page 20

Indian violence wanes: Rioting that has swept India since Hindu militants stormed Ayodhya mosque showed signs of abating. Prime minister P.V. Narasimha Rao said the crisis would not derail economic reform. Page 6

Guatemalan accepts Nobel Peace Prize:

Guatemalan Indian leader Rigoberta Menchu (left), accepting the 1992 Nobel Peace Prize in Oslo, called for international help to end her country's guerrilla war and eradicate human rights abuses. Talks between leftwing guerrillas and Guatemala's government on ending an extremely violent 30-year-old war have been deadlocked for months. Page 8

European jobless: Nearly 40 per cent of EC citizens unemployed for more than one year – about 3m people – have never had a job, according to the European Commission. Page 4

Calpers, big US pension fund, failed to persuade shareholders in RWE to vote to remove the voting structure at Germany's eighth-biggest industrial group. Page 23

Macedonia protest: More than 1m Greeks gathered in Athens to demand that Macedonia change its name. Greece has refused to recognise the former Yugoslav republic, arguing that its name is exclusively Hellenic. Page 4

Ericsson-Hewlett linkup: Ericsson, Swedish telecoms company, and US computer group Hewlett-Packard plan to form a joint venture to provide telecoms operators with network management systems. Page 23

Brazil approves debt deal: Brazil has approved a $44bn debt agreement with commercial creditors, after months of delays had caused the price of Brazilian debt to drop sharply. Page 8

Pilkington, UK-based glass group, maintained its 2.93p a share interim dividend, in spite of recording a £29.2m ($44m) six-month loss. Page 21

Crackdown on neo-Nazis: Police in six German states raided homes and offices of suspected neo-Nazis as the government banned a second extremist group. Page 4

Ahold president joins Philips: Pierre Everaert, president of Ahold retailing group, is to join the five-member management board of Philips, Dutch electronics company. Page 21

■ STOCK MARKET INDICES		
FT-SE 100:	2,729.5	(-24.2)
Yield	4.48	
FT-SE Eurotrack 100	1,049.63	(-4.43)
FT-A All-Share	1,297.40	(-0.7%)
Nikkei	17,581.30	(+95.08)
New York: lunchtime		
Dow Jones Ind Ave	3,384.62	(-19.19)
S&P Composite	432.94	(-2.71)
■ US LUNCHTIME RATES		
Federal Funds:	3 1/16%	
3-mo Treas Bills: Yld	3.281%	
Long Bond	102 9/32	
Yield	7.428%	
■ LONDON MONEY		
3-mo Interbank	7 1/8%	(7 3/16%)
Liffe long gilt future:	Dec 100 1/16	(Dec 100 7/16)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Jan)	$18.2	(17.75)
■ Gold		
New York Comex (Dec)	$334.1	(333.6)
London	$334.15	(333.75)

■ STERLING		
New York lunchtime:		
$	1.555	
London:		
$	1.557	(1.5695)
DM	2.455	(2.465)
FFr	8.38	(8.4075)
SFr	2.1925	(2.21)
Y	192.25	(194.5)
£ Index	80.2	(80.4)
■ DOLLAR		
New York lunchtime:		
DM	1.579	
FFr	5.389	
SFr	1.40875	
Y	123.785	
London:		
DM	1.5765	(1.5705)
FFr	5.3825	(5.3575)
SFr	1.4085	(1.4075)
Y	123.5	(123.95)
$ Index	65.0	(same)
Tokyo close Y 124.1		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Peo45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es180	UAE	Dh10.00

Russian president warns of 'creeping coup' in struggle with conservative Congress

Yeltsin calls for referendum on reforms

By John Lloyd, Leyla Boulton and Dimitry Volkov in Moscow

RUSSIA was plunged into crisis yesterday after President Boris Yeltsin declared open political war on the Congress of People's Deputies, which has blocked his reforms.

Citing a "creeping coup" against him, Mr Yeltsin said a referendum was necessary to decide "to whom do you entrust saving the country from economic and political crisis ... the president ... or the presently constituted Congress and Supreme Soviet"

In a dramatic speech to the Congress of People's Deputies, the Russian said: "Congress is a bulwark of conservative forces and reaction. Reform in Russia is in serious danger. What they failed to do in August 1991, they have decided to repeat now by way of a creeping coup."

His speech provoked uproar in the Congress Hall, the beginnings of scattered demonstrations in the streets and the full-throated opposition of vice-president Alexander Rutskoi.

General Rutskoi called for the prosecution of presidential advisers, whom he accused of pushing Mr Yeltsin into a confrontation with the Congress and into creating "anarchy and powerlessness" in the country.

The president's proposal was for a referendum to be held on January 24. If the population supported him, parliamentary elections would be convened on March 27. If the Congress won the referendum, he would resign and fresh presidential elections would be held; if neither secured the support of half of those voting, both would stand for election. In the meantime, the government would continue under the acting premiership of Mr Yegor Gaidar – whom the Congress had refused to confirm in his post on Wednesay.

Both hardline deputies and presidential supporters reacted with anger. Calls for Mr Yeltsin's impeachment were immediately raised. Mr Sergei Baburin, the leader of the Russia nationalist faction said: "They are pushing us towards revolution." Mr Pyotr Fillipov, a prominent radical democrat deputy, told a small demonstration in front of the Kremlin: "The Civic Union and the communists were pushing reform off the agenda – we must keep it there by supporting the president".

Mr Gaidar attempted to play down the significance of the event, saying the president's action was wholly constitutional and that government business, and continuing talks with the World Bank and the International Monetary Fund, would continue normally.

The head of the so-called "power" ministries – defence, security and interior – all appeared before the highly charged Congress to report, in a scheduled discussion, on crime and corruption in the country.

General Pavel Grachev, defence minister, assured the Congress that the army would remain above politics.

But Mr Victor Barannikov, security minister and head of the Russian KGB, produced a Soviet-era speech full of warnings of the growing threat from foreign intelligence agencies and a rising tide of crime.

Just before the close of business in the Congress yesterday, the deputies voted in closed session to take back under their control a 300-strong armed guard. This militia had been removed from Supreme Soviet to interior ministry control last month by Mr Yeltsin, following its use by Mr Ruslan Khasbulatov, the parliamentary speaker, in his bid to take control of the daily paper Izvestia.

Make or break: Russian president Boris Yeltsin urges workers at a Moscow car factory to collect signatures to force a decisive referendum

Man of people throws down gauntlet, Page 19

Major urges Edinburgh deal to end EC paralysis

By Robert Mauthner and Philip Stephens in Edinburgh

MR JOHN MAJOR, Britain's prime minister, told other European Community leaders yesterday that they must strike a deal to make the Maastricht treaty acceptable to the Danish people in order to free the EC from its current paralysis.

On the eve of a two-day European summit in Edinburgh, Mr Major rejected suggestions by some other leaders, notably President François Mitterrand of France, that if no solution were found to the problem of Denmark's and Britain's ratification of the treaty, the other 10 members could proceed towards European Union on their own.

His warning came as it became clear that Spain, which is looking for significant increases in fiscal transfers to poorer member states, was unwilling to accept marginal new increases in the latest British budget proposal.

There could be no question of a "two-speed" Community, Mr Major, who holds the presidency of the EC until the end of the year, said in a series of television interviews. The treaty had to be ratified by all member countries before it came into effect.

They therefore had to reach an agreement at Edinburgh which was sufficiently good to be accepted by the Danish people at a second referendum.

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Britain has made new proposals on Denmark and EC financing, considered to be the two most difficult problems on the summit's agenda.

Faced with the refusal of their partners to make any amendments to the treaty, the Danes want the EC to adopt a number of declarations which would recognise their right to opt out of the proposed economic and monetary union, a common defence policy, common interior and justice policies and EC citizenship.

British officials made clear last night that it was not so much the substance of the proposed declarations on Denmark, but their legal form, which was the main stumbling block.

The latest proposals had gone some way towards satisfying Danish demands that the special arrangements for Denmark, while not amending the treaty, would nevertheless be considered as legally binding.

The main question hanging over the latest compromise was whether it would prove acceptable to the Danish opposition.

The officials recognised that the problem of future EC financing would probably be the most difficult to solve and that, if it was settled at all, it would not beuntil the end of the meeting tomorrow night.

Among other subjects, the

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SE-Banken seeks government help

By Robert Taylor in Stockholm

SKANDINAVISKA Enskilda Banken, Sweden's largest private commercial bank, is seeking government support.

Mr Bjorn Svedberg, SE-Banken's chief executive, said a "first, tentative contact" had been made to secure finance from the planned government-backed fund to prop up the country's ailing financial sector. The plan is expected to come into effect early next year.

Under the scheme, the state *proposes to provide guarantees* for banks and other credit institutions so they can fulfil their obligations. A state agency will administer the system, though large bail-outs will be subject to government approval.

Sweden's financial sector has been *overwhelmed by credit* losses already totalling more than SKr100bn ($14.7bn) since 1990 due to bad debts, mainly from property, and financial speculation. There is the prospect of more substantial losses over the next few years.

Three of the country's banks – Nordbanken, Gota and Forsta Sparbanken – have already had to be rescued with substantial state financial assistance in the form of loans and guarantees.

The announcement that SE-Banken is also seeking support will *come as a severe blow to the* Swedish financial system.

It has become clear that the bank's main shareholders – the Wallenberg family foundations and its investment company Investor, as well as the Custos investment company – cannot alone solve the bank's capital problems.

SE-Banken executives have already complained that the state scheme would distort the free market if it provided financial assistance to the bank's main rivals.

Its decision to seek money from *the state will add to the government's* growing anxiety about the likely total cost of the state's banking bail-out on the budget deficit.

SE-Banken suffered a SKr2.61bn operating loss in the first eight months of this year *and expects to suffer further* financial losses next year. Credit losses are likely to amount to SKr10bn this year.

The bank also said yesterday its capital adequacy had been impaired by the depreciation of the Swedish krona since it was floated last month.

Although SE-Banken's capital adequacy will exceed the minimum requirement of 8 per cent laid down by the Bank for International Settlements, the bank said it needed a capital adequacy ratio "substantially above the *minimum* level".

Norwegian devaluation hits ERM

By Our Economics and Foreign Staff

THE D-MARK gained against most other European currencies yesterday as Norway's decision to devalue the krone and the Bundesbank's failure to cut interest rates led to further tensions in the European exchange rate mechanism.

Norway's decision to abandon efforts to shadow the D-Mark and other ERM currencies came hours before the German central bank, at its *regular council* meeting, decided against an easing in monetary policy because of high German inflation and the large public sector deficit.

The two events caused investors to switch funds into the German currency, putting pressure *on some other ERM members* including the French franc, Danish krone and Irish punt.

The strains were eased slightly after the central banks of Belgium and the Netherlands, which traditonally keep their monetary policies closely aligned to those *of the Bundesbank, shaved their* credit rates by small amounts.

This was apparently on

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BEHIND THE ERM CRISIS

The monetary tragedy of errors that led to currency chaos

As political disarray threatens the summit of European leaders beginning in Edinburgh today, **Peter Norman and Lionel Barber** give the inside story of the events which led to Black Wednesday and made the Community's most important objective, monetary union, its least plausible goal

THE exact timing remains unclear. But, sometime in the afternoon of Saturday September 12, Mr Jean-Claude Trichet went through one of those chameleon-like changes which top international bureaucrats sometimes experience.

As a senior French official, he had stood that morning alongside his boss, Mr Michel Sapin, the French finance minister, receiving high-level visitors from Germany in France's steel and glass finance ministry at the unfashionable end of Paris, near the Gare de Lyon.

Hans Tietmeyer, vice-president of the powerful Bundesbank, and Horst Köhler, state secretary at the Bonn Finance Ministry, were on their way to Rome. They had told the French government that Germany wanted to negotiate the first substantial realignment in the European exchange rate mechanism in more than five years.

By late evening, Mr Trichet had switched roles. He had exchanged his French civil servant's hat for that of an EC functionary as he prepared to relay to Community member states two pieces of important news: Italy was planning to devalue the lira by 7 per cent in the European Monetary System; and Germany had promised a cut in interest rates in an attempt to calm turmoil in the ERM.

What he did not tell them was the Germans wanted a broader realignment of currencies within the system, including sterling.

The ERM, a system of fixed but adjustable exchange rates, was no longer capable of providing monetary stability for Europe. The planned realignment was a radical move to restore order to the system and keep alive hopes of progress to economic and monetary union (Emu).

Mr Trichet is director of the French treasury, the most coveted position in France's civil service hierarchy. He is also chairman of the European Community's monetary committee, the secretive group which helps manage European monetary affairs. His actions that weekend were to play a crucial role in determining how the ERM crisis unfolded.

Some critics have accused him of putting French interests above those of the Community – by trying to place a protective "ring-fence" around Italy's devaluation so that the French franc would be shielded from speculative attacks in the week ahead of France's closely contested September 20 referendum on the Maastricht treaty. Others charge that he failed to tell the UK that Germany wanted a broader realignment, including sterling.

With hindsight, some officials have argued that, if Mr Trichet had pushed for an early weekend meeting of the monetary committee or of EC finance ministers, the EC might have organised a broader realignment that would have calmed the growing fever on financial markets and perhaps even have ensured Britain's continued ERM membership. He has been cast as the *eminence grise* who scuppered such an opportunity.

The truth, as a Financial Times investigation, which has included dozens of interviews with top officials across the EC makes clear, is both more complex and banal.

Mr Trichet has told colleagues that, in his capacity as a French official, he could not use the highly-sensitive information given to him by the Germans that morning to set in motion discussions leading to a broader realignment. When wearing his monetary committee hat later in the day, he accepted as a *fait accompli* the news of the Italian devaluation and took no steps to broaden the scope of the weekend's currency changes, arguing that he could not negotiate on behalf of individual member states.

The crisis that has shaken the EC's system of fixed but adjustable exchange rates since September is a story of communications failures at all levels. Mr Trichet's behaviour accorded with the letter of the Community's arcane rule-book, but it did nothing to avert turmoil.

Yet Mr Trichet's split personality on that Saturday merely typified the bureaucratic contortions that drove the EMS into the biggest crisis in its 13-year history.

Even though currencies will not feature on the formal agenda of the European Community's summit in Edinburgh today, the autumn crisis will haunt the 12 leaders of the EC member states.

Ambitious plans for Emu by the end of the decade have been set back by Black Wednesday's traumatic suspension of sterling and the Italian lira from the ERM and by subsequent crises and disruptions.

Jean-Claude Trichet: Director of the French Treasury. Cast as the *eminence grise*. Sometimes wore the hat of a French civil servant and sometimes of a European Community functionary. He failed to call the meeting that might have resulted in a broader alignment of European currencies when the Italians decided to devalue the lira

Time and again, this autumn's European crisis was bedevilled by human failure and institutional weakness. The crucial meeting of EC finance ministers in Bath on September 4 and 5 exemplified this; so, too, did the events which led to devaluation of the Italian lira and the turmoil which culminated in Black Wednesday.

The EMS looked ripe for change when the ministers met in Bath. Funds were haemorrhaging out of the lira into the D-Mark, threatening exchange rate relationships that had stood for 5¾ years.

The UK government's policy of trying to hold sterling's ERM parity at DM2.95 against the D-Mark during a harsh recession was looking threadbare. The fact that opinion polls in France pointed to a possible government defeat in the September referendum increased the chances of a massive speculative attack against currencies in the EMS.

The twice-yearly informal "Ecofin council" is usually something of a treat for the ministers and governors, their close aides and their spouses. Bath was different.

"It was the worst I've ever attended," said one veteran of nearly 20 such gatherings. "A disaster," concluded another. Nobody who attended has a good word to say about it, least of all senior British Treasury officials who were summoned late on Saturday September 5 to help break deadlock. Mr Ruud Lubbers, the Dutch prime minister, was later to say that the failure to arrange a realignment at the meeting would go down as a "black page in the book of 1992".

But a realignment was never properly discussed at Bath. Instead, the meeting set what was to become a familiar pattern of half-articulated expectations by some countries that were deliberately ignored by others.

Neither Mr Lamont nor Mr Sapin, his close ally in the talks, would contemplate any devaluation of their currencies. Mr Sapin's position was that there could be no ERM realignment before the Maastricht referendum. The Italians, in office for only a few months, kept their heads down.

Time and again, this autumn's crisis was bedevilled by both human failure and the weakness of European institutions

Nobody uttered the "R-word" in the meeting. Instead, Mr Lamont turned repeatedly on Mr Schlesinger, urging him to cut German interest rates. "It was tense," observed one continental official. "Unilateral pressure was put on one partner in a repeated way."

Mr Schlesinger – as mere *primus inter pares* on the Bundesbank's decision-making council – was statutorily unable to deliver any such promise. He was also temperamentally disinclined to yield to political pressure.

Faced with Mr Lamont's battering ram tactics, Mr Schlesinger nearly walked out. Some days later, he complained that he had been asked four times to cut rates and had to reply No four times "when only once should have done".

Mr Lubbers later blamed Bath's failure on "political motives". Realignment, he said, "was not possible – because England had its pride and France said that it couldn't be done because it was facing a difficult referendum and they couldn't discuss it; and the English said then that the Bundesbank should do something first, and so the discussion went."

Certainly, realignment was in the air, despite Mr Lamont's and Mr Sapin's efforts to keep it off the agenda. Outside the Bath Assembly rooms, Mr Waigel, the German finance minister, was asked by journalists whether a realignment was being discussed. He stonewalled, answering that such a move would need unanimous support from ERM states, which was not forthcoming.

Inside the Assembly Rooms, Mr Schlesinger made comments that officials present were later to interpret as signals that the Bundesbank favoured a realignment. At the time, however, almost no-one realised the significance of his words.

The ministers finally knocked together a four-point statement which reaffirmed their opposition to a realignment and referred to a Bundesbank promise not to raise its interest rates. Mr Lamont was quick to imply that this had been a victory over the mighty Bundesbank, a suggestion that angered Mr Schlesinger. Any calming effect the statement might have had on financial markets was undermined the next day when Mr Schlesinger said the Bundesbank pledge represented no change in policy and distanced himself from the agreement not to realign ERM exchange rates.

In the days after Bath, the ERM suffered further blows. The Finnish markka, which had been pegged to the Ecu, the EC's embryonic currency, was allowed to float after suffering extended speculative attack. Sweden began a costly and ultimately futile bid to keep its krona pegged to the Ecu by intervening heavily on currency markets and pushing its interest rates to 500 per cent at one point. The Italian lira was sold heavily, finally falling below its ERM floor on Friday September 11 in spite of massive support from the Bundesbank and Bank of Italy.

After having to buy an unprecedented DM24bn worth of lire in less than a week, Mr Schlesinger sought the German government's support for a general realignment in the ERM. It was at a special meeting in the Bundesbank on Friday evening, that Mr Tietmeyer and Mr Köhler were asked to go to Rome by way of Paris, to negotiate a devaluation of the lira and seek a realignment involving other currencies.

In one respect, the monetary manoeuvrings of the September 12-13 weekend started under a more favourable star than in Bath. In discussions with Chancellor Kohl and his financial advisers, Mr Schlesinger made a potentially far-reaching concession that earned him criticism at home when it became known after the weekend. He made clear the Bundesbank would be prepared to bargain a cut in German interest rates in return for a realignment. The extent would depend on the number of countries taking part.

On Saturday and Sunday, the Bundesbank president contacted members of the bank's council to discuss the scope of the interest rate cut. However, the Bundesbank made no effort to contact the Bank of England or British government. "It was not our job to inform the British of our intentions," Mr Schlesinger would say later.

The absence of timely communication with London was to diminish greatly prospects for the broad realignment the Bundesbank sought.

Once a member state seeks a realignment, it is the job of the EC monetary committee, whose chairman is Mr Trichet, to find out the views of other member states. On that weekend, Mr Andreas Kees, the committee secretary who usually canvasses ERM members before convening a meeting of the committee, was away boating.

Mr Trichet had to sound out members for a meeting. He decided against such a gathering. Mr Trichet's decision to handle the lira devaluation by phone is now recognised by all – including, it seems, Mr Trichet – as a mistake. It stifled a broader debate on currencies that weekend. There was no opportunity for bilateral meetings with the chairman in which room for compromise could be assessed.

Instead, that weekend again illustrated how difficult it is for EMS member states to thrash out delicate policy issues.

It is unclear whether Messrs Köhler and Tietmeyer realised Mr Trichet was acting as a French government official alone, and not as EC monetary committee chairman, when they met him and Mr Sapin in Paris en route to Rome.

What is certain is that Mr Trichet interpreted their visit as a kind of courtesy call. He knew that the Germans wanted a broad realignment, but believed they had come to advise the French government of a potentially difficult situation just one week before the Maastricht referendum. The German visitors never made a precise request for London to devalue; nor did they propose new parities for the pound.

It was in the evening after he was told by telephone of the outcome of the German-Italian negotiations in Rome that Mr Trichet put on his monetary committee hat. It was his duty to see whether the other ERM members approved the planned 7 per cent lira devaluation, and he duly contacted them. But he did not consider it his job to sound out others about broader realignment.

After all, he reasoned, the positions of the various countries were known. France had said it did not want to devalue. Both Mr Major and Lamont had publicly rejected devaluation, turning it into a prestige issue. Although it had been fairly clear since the Bath meeting that Germany wanted a broad realignment, it would have been a delicate matter to have suggested a devaluation to the British because the pound had not been under pressure in the previous week.

Others have argued that he took a narrow view of his job. "To do that realignment by phone was unacceptable," complained one continental central banker. "Not only was the issue too delicate to be handled by phone. The procedure meant that not everybody was in possession of the same information."

But any of the ERM countries could have insisted on a meeting of either the monetary committee or ministers if they wanted more than the 7 per cent lira devaluation of that weekend. They had an opportunity to act when Mr Trichet contacted them from Saturday evening onwards, or when the draft monetary committee communiqués announcing the realignment were circulated. But none did so.

Mr Trichet also felt confident a successful realignment could be handled by phone. On three previous occasions the lira parity had been changed in the EMS without a meeting. Moreover, by late Saturday, when he received the news from Rome, time was running short.

This is acknowledged in Bonn. According to a senior German Finance Ministry official, Mr Trichet was "under a very difficult time restraint, and operating in a very difficult environment".

"We came together very late that weekend with the Italians, asking for a realignment," the German official said. "On Friday evening, when invitations normally go out for monetary committee meetings, we were talking among ourselves. It was only on Saturday that we could really offer something in terms of interest rate moves, and we could really pull the Italians on board."

Lone voice: Amato calls Major at Balmoral to ask if Britain would join the planned currency realignment

British officials say that the first they heard of a realignment was on Saturday evening when they were asked: "Do you consent" to the Italian devaluation against the D-Mark?

The weekend development was so unexpected that Whitehall had to mount a large-scale search operation to trace Sir Terry Burns, the permanent secretary to the Treasury. He was finally tracked down in Dulwich, a south London suburb, at a party celebrating a friend's 25th wedding anniversary. He learned the news on a mobile phone from Sir Nigel Wicks, the second permanent secretary, who, conscious of recent security breaches on mobile phones, would only refer obliquely to a problem with "our sick friend". Mr Lamont, who was at the last night of the Proms, was also only told of developments at a late stage.

The Italian government was unhappy to be devaluing alone. On Sunday morning, Mr Guiliano Amato, the Italian prime minister, rang Mr Major, who was staying with the Queen at Balmoral, to tell him about the planned lira devaluation. He asked if the UK was joining the realignment. Mr Major said No. According to Downing Street, the Italian premier did not then press the UK to devalue.

Just before going to church with the Queen, Mr Major telephoned Mr Lamont at the Treasury meeting to confirm the no devaluation line.

But, by Sunday afternoon, some UK officials feared the lira devaluation would trigger further speculative pressure in the ERM ahead of the French referendum. They were to argue later that Germany should have "nursed the lira through" until September 20.

The question facing the EC is whether the goal of monetary union by the millennium can be saved from the wreckage

Although there was some concern that the lira devaluation could mean further volatility in the ERM ahead of France's referendum, there was no sense of imminent doom early on Sunday when Mr Lamont met senior officials in the UK Treasury to discuss developments. By then, according to UK officials, it was known the Bundesbank would cut its Lombard rate by ¼ percentage points the next day and announce cuts of ½ point in its discount and money market rates.

When Sir Terry asked, as a matter of form, whether sterling would join in the realignment with a devaluation, the answer from the chancellor was No.

Superficially, the 7 per cent lira devaluation appeared almost a text book realignment. It had been carried out behind the scenes, apparently without fuss. But there were some worrying loose ends and signs that all might not be well.

There was also concern in the Bundesbank that the changes would not satisfy the markets. The Italian government, it emerged later, thought the scale of the devaluation too small. Rome believed 15 per cent was necessary to restore competitiveness, although it recognised that such a large lira devaluation would almost certainly have been blocked by France because it would have given Italian exporters a big price advantage.

Whatever Mr Trichet's motives, the scene was set for the last act of the drama before Black Wednesday. The scale of inflows into Germany the week before showed that markets could wield awesome power in an age of almost unrestricted capital movements. The 7 per cent lira devaluation had been sufficiently large to reward speculators. There was enough dissonance among policy makers to encourage fund managers and corporate treasurers to take a further shot at the ERM.

By the afternoon of Tuesday September 15, sterling was in trouble. It closed in London just a fifth of a pfennig above its ERM foor of DM2.778, at its lowest ever level in the mechanism. The Treasury called a high-level crisis meeting in Chancellor Lamont's office with senior Bank of England officials to discuss tactics for the next day.

As the meeting was in progress sterling suffered its knock-out blow – as a result of yet another misunderstanding. News agency reports appeared on Tuesday evening of an interview by Mr Schlesinger with *Handelsblatt*, the German newspaper. He was quoted as favouring a more comprehensive realignment. The news pushed sterling through its ERM floor in after-hours dealings. Two frantic telephone calls between Mr Robin Leigh-Pemberton, the governor of the Bank of England, and Mr Schlesinger got the response that the remarks were "not authorised". While the governor was initially reassured, Mr Lamont, according to one participant, was angry and anticipated trouble. He abruptly silenced Mr Leigh-Pemberton.

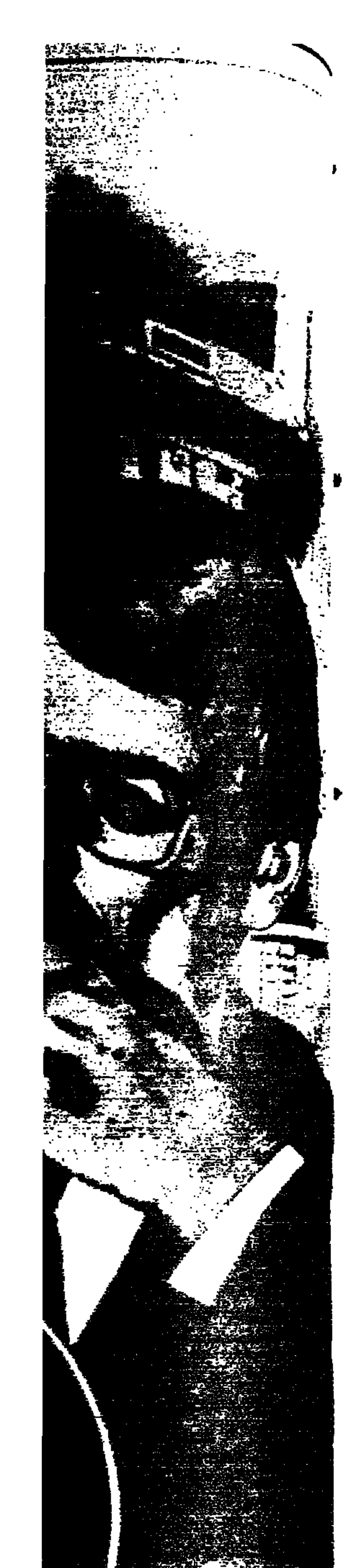
Though denials were soon forthcoming, the scene had been set for a day of carnage on the foreign exchanges. Mr Schlesinger's purported remarks were too close to the known views of many top officials in the German central bank – including his own.

Twenty four hours later, Mr Lamont was outside the Treasury facing the television cameras. He announced Britain's withdrawal from the European exchange rate mechanism. Massive intervention, possibly exceeding £15bn, and two emergency interest rate increases, first to 12 per cent and later to 15 per cent, had failed to save the pound.

The question facing the EC was whether the ERM and the strategic goal of economic and monetary union by the end of the millenium could be saved from the wreckage.

With additional reporting by Quentin Peel in Bonn, David Marsh and Edward Mortimer in London, Ronald van de Krol in Amsterdam, Will Dawkins in Paris and Robert Graham in Rome.

Tomorrow: Germany explodes a time bomb



Major stands his ground on Maastricht

By Philip Stephens, Political Editor

MR John Major last night flatly rejected demands from his European Community partners to speed up British ratification of the Maastricht treaty.

The British prime minister insisted he would go no further than his previous commitment to ratify the agreement during the present session of parliament, which ends in the autumn.

As Mr Major prepared for meetings last night with Mr Jacques Delors, the Commission president and Mr François Mitterrand, the French president, British ministers insisted the "political reality" at Westminster precluded a pledge in Edinburgh to speed up ratification. But the prime minister privately will tell his European counterparts that a deal at the summit to accommodate Danish objections to Maastricht would lower the political hurdles to British ratification.

This week Mr Mitterrand criticised Mr Major for linking the next crucial House of Commons vote on the treaty – the third reading – to the second Danish referendum expected in May. The prime minister has been deliberately ambivalent about whether he would delay that vote still further if Denmark put back the date of the referendum.

Senior British ministers said the ambivalence was essential because of the government's precarious majority in the face of a revolt by Conservative Euro-sceptics. They warned also that if Denmark did not get a satisfactory deal from the Community there was no *prospect that the Westminster* parliament would ratify Maastricht.

For his part, Mr Major dismissed talk of a two-speed Europe in which Denmark and the UK are left behind. His judgment is that the difficulties for the other 10 in constructing a new agreement to replace Maastricht would far outweigh the inconvenience they now face in waiting for the two countries to ratify the original agreement.

Despite the inevitable eve-of-summit warnings about the complexity and difficulty of the issues facing EC leaders in Edinburgh, Mr Major is quietly confident that agreements on both the Danish question and a future financing package can be struck if all 12 leaders demonstrate the necessary "political will".

British officials anticipate that the biggest threat is a row with Mr Felipe Gonzalez of Spain and the leaders of other southern EC states over proposals to limit increases in Community expenditure.

He will warn his colleagues that a breakdown at the summit could threaten renewed turmoil in the financial markets and a further slump in economic confidence: "They (the leaders) will be left in no doubt about how high the stakes are," one British official said.

Delors calls for unity; keeps quiet on union

By David Marsh in Edinburgh

DELIVERING a traditional pre-summit appeal for European unity, Mr Jacques Delors, the EC Commission president, yesterday made an important tactical decision. He did not mention the word "Maastricht".

Mr Delors, who was awarded an honorary degree yesterday by Edinburgh University, used his acceptance address to call for an "organised and caring" Community which would be more than merely a free trade area.

Dressed in a red gown and looking less like a would-be Emperor of Europe than a slightly abashed Meistersinger, Mr Delors admitted the EC was going through a period of doom and gloom. He urged the Community to look beyond its ups and downs and create unity in diversity.

Although he praised the single European market taking effect next year, he avoided referring to the Maastricht treaty.

Mr Delors may have reflected that the treaty is hardly more popular in Scotland than in the rest of the UK. An opinion poll in The Scotsman yesterday showed 33 per cent of Scottish voters against, 29 per cent in favour, and the rest undecided.

The degree ceremony, in the splendour of the university's McEwan Hall, was twice interrupted by young protesters in the gallery shouting – with distinctly Sassanach voices – "It's your slump – We won't pay." They were hustled out by stewards as guests tried to drown the shouts with applause.

Mr Delors said part of the programme for the single market launched in 1985 had already become reality. "The brushes could do with a little bit of spit and polish, but the single market will be open for business on New Year's Day," he said.

At a reception afterwards, Mr Delors said the summit would probably not reach agreement on where to site the proposed EC central bank – part of a complex bargaining process also involving decisions on sites for other Community institutions.

Britain's bid to bring the central bank to London was unrealistic, he said. He pointed out that London was already the venue for the European bank for Reconstruction and Development, and that the UK was not currently in the exchange rate mechanism.

Ashley Ashwood

Mr Delors receives his honorary degree yesterday from Sir David Smith, Edinburgh University vice chancellor

Schlüter pledge on deal for Denmark

By Hilary Barnes in Copenhagen

MR Poul Schlüter left for Edinburgh yesterday pledging that he would not be the Danish prime minister to lead Denmark out of the Community.

"We will do our utmost to secure a deal in Scotland *which will meet all the Danish* requirements," he said.

However, the seven parties who have agreed a common stance on on Denmark's requirements refused to give the government a mandate to negotiate on the basis of proposals put forward by Britain for resolving the impasse.

Any deal based on the British proposals would be rejected by the left-wing Socialist People's Party. Other parties have expressed qualified approval.

It will be up to Mr Schlüter and his foreign minister, Mr Uffe Ellemann-Jensen, to decide whether to conclude a deal with the other 11 heads of government. If the deal is subsequently rejected by other parties, the government will have to fight the issue out in parliament, and if defeated would probably call an election.

Distant pipes and drums from the real world outside

By James Buxton, Scottish Correspondent

SUPPORTERS of the Edinburgh international festival complain each summer that the official festival is in danger of being outdone by the scruffier but much more prolific fringe.

This being Edinburgh, the summit has to have a fringe. And the official events stand little chance of making the impact on the people of Edinburgh which the dozens of fringe events will have.

The summit is after all a largely secret meeting, almost invisible to the outside world, of 12 men (with several thousand officials and journalists in attendance). Most people will be lucky to glimpse more than a few speeding motorcades.

But in the fringe there are demonstrations, marches, alternative summits and conferences, as well as open-air concerts and street theatre.

Yesterday the fringe broke into the dignified part of the programme when protesters twice interrupted the Edinburgh University ceremony at which Mr Jacques Delors was given an honorary degree. Some were from a left-wing organisation called the EC Summit Unwelcoming Committee, which later staged a march of people chanting: "It's your slump, we won't pay."

But the most significant event could be the Scotland Demands Democracy march and rally tomorrow, which should involve all political parties pressing for constitutional change for Scotland.

The protest, organised by the Scottish Trades Union Congress, is intended to remind Mr John Major that there is still strong demand for change, despite the setback suffered by devolution and independence campaigners in the general election.

Speakers from the Scottish National Party, Labour and the Liberal Democrats will argue that it is hypocritical for Mr Major to say subsidiarity should apply to Britain but not apply it to Scotland – a nation within Britain. The organisers hope 20,000 people will attend.

Today the campaign to save Scottish regiments scheduled for merger will march with pipes and drums under the command of retired General Sir John MacMillan from Prince's Street Gardens, and hand a petition to Mr Major at Edinburgh Castle. Elsewhere Scottish fishermen will be demonstrating against the EC Common Fisheries Policy.

For most of the week a poverty summit has been discussing the impact of the industrialised world on developing countries. Socialist Party lead*ers from 19 European countries* have been meeting under the chairmanship of Mr John Smith, the Labour leader. Today and tomorrow experts on the Balkans will be at a Bosnia-Hercegovina conference.

After the summit is due to end tomorrow, the people of Edinburgh are invited to surge out into the streets, first for an open-air market in the heart of the 17th century Old Town, and then for Summit in the City, a programme of open-air rock concerts and street theatre. Warm clothes are recommended, just as they are for the festival in the summer.

Portugal ratifies treaty

By Peter Wise in Lisbon

THE Portuguese parliament yesterday ratified the Maastricht treaty by an overwhelming majority.

Only 22 members of the 230-seat parliament, including the old-guard Communist Party, the conservative Centre Social Democrats and independents, voted against ratification. One Social Democrat rebel declined to vote. The ruling centre-right Social Democrats and the main opposition Socialist Party backed the treaty.

Ratification will require Portugal to change its constitution on sharing sovereignty, allowing foreign residents to vote in local and European parliamentary elections, and ending the exclusive right of the Bank of Portugal, the central bank, to issue money.

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Norwegians decide to let krone float

By Robert Taylor in Stockholm

NORWAY'S krone was floated yesterday, rekindling concern about a fresh outbreak of international speculation against currencies inside the European exchange rate mechanism (ERM).

As a result the krone suffered a 5 per cent devaluation against other European currencies. The Oslo bourse closed up 28 points at 399.

The Norwegian central bank's decision brings the country into line with its neighbours, Finland and Sweden who abandoned fixed exchange rates in the autumn.

The central bank's overnight lending rate to commercial banks was cut to 11 per cent from 16 per cent.

The European Commission in Brussels said that it regretted the Norwegian move.

The krone was first pegged to the Ecu on October 19, 1990, within a margin of plus and minus 2.25 per cent from a fixed rate of NKr7.9940 per Ecu.

Mr Hermod Skanland, the central bank governor, said the main reason for floating the currency was "the general lack of trust in fixed exchange rates on the markets".

At the time of the floating of Sweden's krona on November 19 an estimated NKr51bn (£5bn) flowed out of Norway and only about SKr11bn (£1bn) returned but it was the onset of krone selling on Wednesday that forced the central bank to act.

Mr Torje Osmundssen, director at Norway's employers' association, Noho, said one explanation for the market pressure on the krone in recent days stemmed from the fact that "the markets cannot distinguish one Nordic economy from another".

Norway is one of the few countries in Europe to meet the tough financial convergence requirements set out in the Maastricht treaty for European economic and monetary union, with a manageable budget deficit and public sector debt as well as low inflation and relatively low interest rate levels.

Mr Osmundssen said the floating of the currency was a "very natural adaptation" since Norway's main trading partners – Britain, Sweden and Finland – had all abandoned a fixed exchange rate for their currencies.

The central bank tried to defend the fixed exchange rate of the Norwegian krone against severe pressure by increasing its own overnight lending rate to 16 per cent and limiting commercial bank access to its own overnight borrowing facility.

But these measures failed to normalise conditions on the markets. The central bank governor said he had come to the conclusion that a further rise in interest rates would not have stabilised the situation either.

Concern grows on single market weapons rules

By David White

NEW EC rules to prevent a weakening of controls over exports of militarily useful goods are not expected to be ready in time for the start of the single internal market on January 1.

Concern is growing that free movement of goods within the EC will enable "dual-use" items (having both civilian and military applications) to be exported via members such as Greece and Portugal with the least rigorous controls.

The Brussels-based Union of Industrial and Employers' Confederations of Europe (Unice) said yesterday it was anxious to see free movement of these goods within Europe and a harmonised system of external border controls, but did not expect an early EC agreement to implement such a system.

The UK is due to put compromises to an EC Council high-level working group on Monday. The issue was discussed recently between Unice representatives and Mr John Meadway, head of the export trade division at the UK Department of Trade and Industry.

A confidential minute raised the prospect of "licence shopping" by manufacturers trying to exploit weak points in member states' controls to sell to forbidden destinations.

It said that member states seemed "reluctant to have a Community export controls policy". They favoured an "inter-governmental agreement" with "informal exchanges of information on sensitive destinations".

The aim would be to agree on a common list of friendly countries eligible for simplified export procedures.

"The idea of a common list of sensitive projects is more problematic," the report said.

The European Commission put forward a draft regulation in August for controlling certain dual-use products and technologies, foreseeing a transition period of up to a year. However, it emerged from the Unice meeting that the period was likely to last longer. Meanwhile, a system of "general licences" is expected to be retained to monitor the movement of certain dual-use items within the EC.

These are used under the current CoCom system, giving broad authority for exports to listed destinations.

Britain and Spain rejoin final sprint for 1993 legislation

By Andrew Hill in Brussels

BRITAIN, which holds the EC presidency, has rejoined the leading group in the final sprint to put single market legislation into place before January 1.

Figures published by the European Commission yesterday will spare Britain potential embarrassment at today's Edinburgh summit. They show that the UK is no longer among the Community's legislative laggards. On the other hand, Italy and Belgium are still among the slowest to pass single market legislation through their national parliaments.

The triumphant opening of the single market at midnight on December 31 is one of the aims of the British presidency, and EC leaders meeting in Edinburgh are certain to declare that the market is effectively complete, in spite of loopholes caused by delays and political compromises.

The leaders will also have to admit that one of the single market's principal objectives – the lifting of border controls on people – will not be fully achieved until the end of 1993, if then. Britain leads opposition to abolishing passport checks.

EC directives cannot take effect until they are transferred into national law, and Mr Martin Bangemann, the EC internal market commissioner, has continually stressed the need for effective implementation.

After October 30 figures revealed that Britain, Spain, Luxembourg, Belgium and Italy were lagging behind their EC partners, Mr Bangemann wrote to their governments urging them to accelerate the legislative procedure before January 1.

Britain and Spain have both taken his complaints to heart.

According to figures compiled on December 8, they are now fifth and sixth in the league table, compared with eighth and 12th in the October list.

Britain has transferred 81.2 per cent of the relevant measures, just above the Community average. Denmark, which has consistently been the most efficient at transferring legislation into national law, has tranposed 95.9 per cent of the laws.

Yeltsin in people power gamble

The Russian president hopes he still has the common touch, writes **Leyla Boulton**

MR Boris Yeltsin, the Russian president, looked unhappy yesterday as he stood on an improvised podium in the Moskvich car assembly factory. Earlier, he had thrown down the gauntlet to the country's parliament and embarked on an openly populist campaign to win support for a referendum on who rules Russia.

Appealing to the people is a road Mr Yeltsin, a master of the popular touch and the first directly elected leader in Russian history, has travelled before. But this time it is a final gamble: obtaining support for deeply unpopular reforms, or abandoning them to a populist Congress of People's Deputies.

His speech at an impromptu rally at the Lenin Komsomol Car Plant (AZLK), was vintage, if somewhat subdued. Yeltsin, defiant, with a touch of humour.

"No reform ... has ever been carried through to the end in Russia," he said, referring to Russian reformers Peter the Great and Peter Stolypin. Denouncing the congress as "full of Communist party apparatchiks" opposed to reforms, he said that ordinary people in contrast had understood the changes undertaken by Mr Yegor Gaidar whose rejection by parliament sparked yesterday's declaration of war on the congress.

As he met with the people in an industrial suburb, Moscow truck drivers lined the Kremlin with lorries and some 5,000 people attended a rally in support of the Russian leader. But the mixed response from the hundreds of car workers who flocked to see the president also illustrated the fragility of the support he can expect.

Despite earning four to five times more than most Russians, industrial workers' support for Mr Yeltsin, like that of their managers, is partly a function of help given to individual plants by the government.

Teachers, doctors, bureaucrats and pensioners may be less generous towards him.

The reservations attached to the supportive messages delivered by two of the workers who spoke at the rally also echoed the message of the centrist Civic Union with whom the government had been negotiating. "Your aim is splendid but change your tactics," said Mr Sergei Novopolsky, a metal worker, who urged the president to protect the country from the mafia and to stick to his promise to index billions of roubles of savings.

"If life improves just a little bit, people will support you wholeheartedly," said Mr Anatoly Ribakov, whose attack on the street traders who have become a daily source of irritation for Muscovites sparked the greater applause.

Nobody dared vote against the president in a show of hands called for after the event.

However, most of the workers interviewed in a random survey said that they would probably opt for Mr Yeltsin if forced to choose between his reforms and the congress. "Since Gaidar started the reforms, let him continue them.

"We're young and we've got life ahead of us, and that gives us something to look forward to," said Sergei, 22.

But some workers also displayed either the confusion, or angry indifference born of economic hardship which may outweigh traditional respect for the country's *"khozain"* (boss) in a referendum.

An older woman in the crowd who declined to be named said: "I only rely on myself.

"I've become so nasty with what's going on that I hope you foreigners who are robbing the country will leave," without substantiating her outburst.

Greek Orthodox priests among a crowd of about 1m people who took to the streets of Athens yesterday in a protest calling for the EC not to recognise Macedonia

Million Greeks protest over Macedonia

By Laura Silber

MORE than 1m Greeks gathered in Athens yesterday to demand that the international community withhold recognition from the former Yugoslav republic of Macedonia unless it changes its name.

The crowd carried banners and shouted "Macedonia is Greek, Learn Your History" and "Macedonia has been Greek for 3,000 Years".

Greece fears unrest if its neighbour is recognised as Macedonia. The unease is fanned by the former Yugoslav republic's adoption of the Macedonian star as its emblem.

Greece has blocked recognition of the republic on the grounds that the name Macedonia is exclusively Hellenic property and implies territorial pretensions on its own northern province of Macedonia.

Macedonian leaders say the blocking of recognition has increased instability in the former Yugoslav republic. If Greece continues to block recognition, they plan to take their case to the United Nations.

The Macedonian parliament yesterday postponed a decision on changing the name of the republic in order to gain international recognition.

Yesterday's parliamentary debate was an effort to push European leaders to grant Macedonia diplomatic recognition at the Edinburgh summit.

Mr Hristo Nikovski, undersecretary of the Foreign Ministry, yesterday warned: "We will look to the UN... This situation is feeding nationalists from all sides – inside and outside Macedonia."

Greece is maintaining an unofficial blockade of Macedonia, holding up deliveries of oil. "We are facing a complete blockade. We are blocked by the sanctions against Serbia to the north, and Greece from the south," said Mr Nikovski.

A European diplomat yesterday said he did not expect formal recognition of Macedonia by all EC members at Edinburgh. But "recognition is still possible on an individual basis or Macedonia will present its case at the UN."

The UN Security Council is expected today to approve the deployment of 700 troops to prevent bloodshed if violence erupts on frontiers between Macedonia, Serbia and Albania.

UN may enforce no-fly zone, says Owen

By Sheila Jones in London and David White in Brussels

MILITARY action may be needed to enforce the no-fly zone over Bosnia if efforts to secure compliance through negotiation fail, peace mediator Lord Owen said yesterday.

Mr Radovan Karadzic, the Bosnian Serb leader, had been warned that if his forces continued to flout the no-fly zone, imposed by the United Nations last October, the UN security council would be called on to consider enforcement, Lord Owen told a UK parliamentary select committee in London.

"The patience of the world is not limitless and the strengthening of military action might be necessary," he said.

Lord Owen said enforcement could still be achieved through negotiation but if flouting of the ban continued "despite constant warnings, we would be forced to enforce it".

Enforcement of the no-fly ban was the only military option the international community should be considering at the moment, but it had to retain the option of force to bring about a settlement in the former Yugoslavia.

Mr Malcolm Rifkind, UK defence secretary, cautioned yesterday over military measures to enforce the no-fly zone. He told Nato colleagues that any action against Serb helicopters or aircraft could endanger UN troops on the ground.

British officials indicated that the position was broadly supported by other allies.

They added that no proposals had been put forward by defence ministers on new ways of resolving or containing the Bosnian conflict.

Nato military authorities were undertaking preparatory work to ensure they were better placed to respond to any new request from the UN to help the peacekeeping effort. They said the political mandate for further action had to come from the UN.

Moves to strengthen Nato's role in assisting peacekeeping efforts are to be formalised by allied foreign ministers next week, including France.

US officials said yesterday it was unlikely that Washington would earmark military units for peacekeeping.

Lord Owen told the select committee yesterday that the strength of feeling in the Islamic world about the killing of Moslems in Bosnia should not be underestimated. Substantial quantities of arms supplies had got through to Moslems defending themselves against Serb forces, but these were mainly light and unsophisticated weapons.

Bosnian foreign minister Haris Silajdzic said at peace talks in Geneva yesterday he hoped US President-elect Bill Clinton would lift the arms embargo on Bosnia.

Italy moves on plan to shake up civil service

THE government of Mr Giuliano Amato yesterday approved a decree designed to revolutionise the work habits of Italy's pampered and inefficient 3m civil service, writes **Robert Graham in Rome**.

The reform envisages the introduction of performance-monitored work contracts, greater departmental responsibility, harmonisation of pay structures, staggered hours, greater job flexibility and the state's right to sack. The philosophy behind the measures is to impose private-sector principles of work on civil servants and to reverse the situation whereby the public must be beholden to them for the favour of their services. Mr Raffaele Costa, minister for EC affairs and in charge of the reforms, described the decree as "a great step forward" which in the medium term would raise the civil service to EC levels. The shake-up of the public administration was one of four main reforms of the Amato government endorsed by parliament two months ago in a vote of confidence.

Raids on neo-Nazi suspects

By Quentin Peel in Bonn

HUNDREDS of police in six German states raided the homes and offices of suspected neo-Nazis yesterday, as the government stepped up its crackdown on racist violence and right-wing extremism.

Mr Rudolf Seiters, the interior minister, banned a second neo-Nazi organisation, the German Alternative (DA), and the federal prosecutor arrested two members of a self-styled militia group, called the "Werewolf Hunting Unit".

The moves came as Chancellor Helmut Kohl led the German parliament in its strongest and most united condemnation of the rash of racist attacks on foreigners and asylum-seekers' hostels.

The number of attacks on foreigners has risen from 2,462 last year, to 4,587 recorded so far this year, according to the federal investigation office.

Mr Kohl said the country was facing a "terrifying increase in violence", in which there was no justification for anyone to indulge in violence. "Those who believe that they can change our country by creating a climate of intimidation and fear are fooling themselves," he said. Mr Seiters denounced the DA as a neo-Nazi organisation particularly active in eastern Germany.

Police immediately launched raids on the homes and offices of an estimated 300 members in Berlin, Brandenburg, and Saxony, in the east, and Hesse, North Rhine-Westphalia and the Rhineland-Palatinate in west Germany.

The organisation was to contest local elections in east Germany, and propaganda documents, as well as a motley arsenal of weapons such as a sawn-off air rifle and a starting pistol, were seized in the raids.

Many long-term jobless never employed

By David Goodhart, Labour Editor

NEARLY 40 per cent of European Community citizens unemployed for more than one year - about three million people - have never had a job, according to the European Commission.

The vast majority are under 25 and concentrated in the southern EC states. In Italy, 78 per cent of those unemployed for a year or more have never had a job and in Greece the figure is 65 per cent.

Those out of work for more than a year account for about half of the EC's 16 million unemployed, compared with only 6 per cent in the US and 18 per cent in Japan, according to the London-based Employment Policy Institute.

These "outsiders" in the European jobs market cease being part of the effective labour supply and cannot act as a constraint on wage bargainers, argues the EPI in an analysis of European unemployment published today.

The EC Commission expects EC unemployment, which is just under 10 per cent, to rise to 11 per cent and to remain there until 1996. Only the Netherlands has seen its unemployment rate fall since 1990, from 7.3 per cent to 6 per cent.

The Commission projects that the population of working age will rise by between 3 per cent and 5 per cent over the next 10 years and then remain virtually static until 2010.

The EPI expects most new jobs to come in the service sector and a further shift away from unskilled employment. That will intensify the need for vocational qualifications, it says. About two-thirds of EC workers have a vocational qualification, although less than half of UK workers do.

EC member states spend on average 2.25 per cent of GDP on the unemployed, of which nearly two-thirds goes on "passive" assistance such as benefit and one-third on "active" assistance such as counselling. The EPI argues that these proportions must be reversed.

Unemployment in Europe, Employment Policy Institute, Southbank House, Black Prince Road, London SE1 7SJ.

Appeal to Bonn on solidarity pact

By Christopher Parkes in Frankfurt

THE Bundesbank yesterday appealed to the Bonn government to restore business confidence and bring public spending and deficits under control with an early and convincing end to discussions on Chancellor Helmut Kohl's projected solidarity pact.

Mr Otmar Issing, a member of the central bank's policy making central council, told a conference that business confidence in the economy had deteriorated to a level not seen since the 1970s.

Earlier in the day the bank had eased its tough monetary policy, but stuck firmly to its refusal to lower interest rates.

Announcing the decisions, Mr Helmut Schlesinger, the Bundesbank president, referred pointedly to federal and regional budget deficits as he declared there was still no room for rate cuts.

The central bank's target range for growth in the M3 measure of money supply of between 3.5 and 5.5 per cent was increased to to 4.5 and 6.5 per cent. This won support from industry and government, according to Mr Theo Waigel, finance minister, as it took into account current recessionary trends in the west and would guarantee sufficient liquidity for recovery in the east.

Mr Johann Eekhoff, secretary of state in the economics ministry, said he was glad special factors such as developments in eastern Germany had been taken into consideration.

The decisions would allow room for growth while maintaining stability, he added.

Anticipating further overseas criticism, Mr Eekhoff said complaints that German rates were too high were unfounded.

Mr Schlesinger said inflation was still too high and there was no room for reducing rates.

Mr Issing added that recent low wage settlements – which should help bring inflation down – showed a "clear correction ... in the right direction". However, Mr Schlesinger pointed out that high interest rates were not yet having the desired effect on public sector deficits.

Private sector economists, who had forecast an upwards shift in the M3 range, said the bank appeared to have set the stage for both growth and interest rate cuts.

The effects of the economic slowdown, combined with falling import prices, lower pay claims and a decline in underlying inflation are widely read as signs that rates will start to fall in the new year.

The key element, yet to fall into place, is Chancellor Kohl's mooted "solidarity pact" between all levels of government, opposition, unions and employers which aims to encompass commitments to public spending cuts.

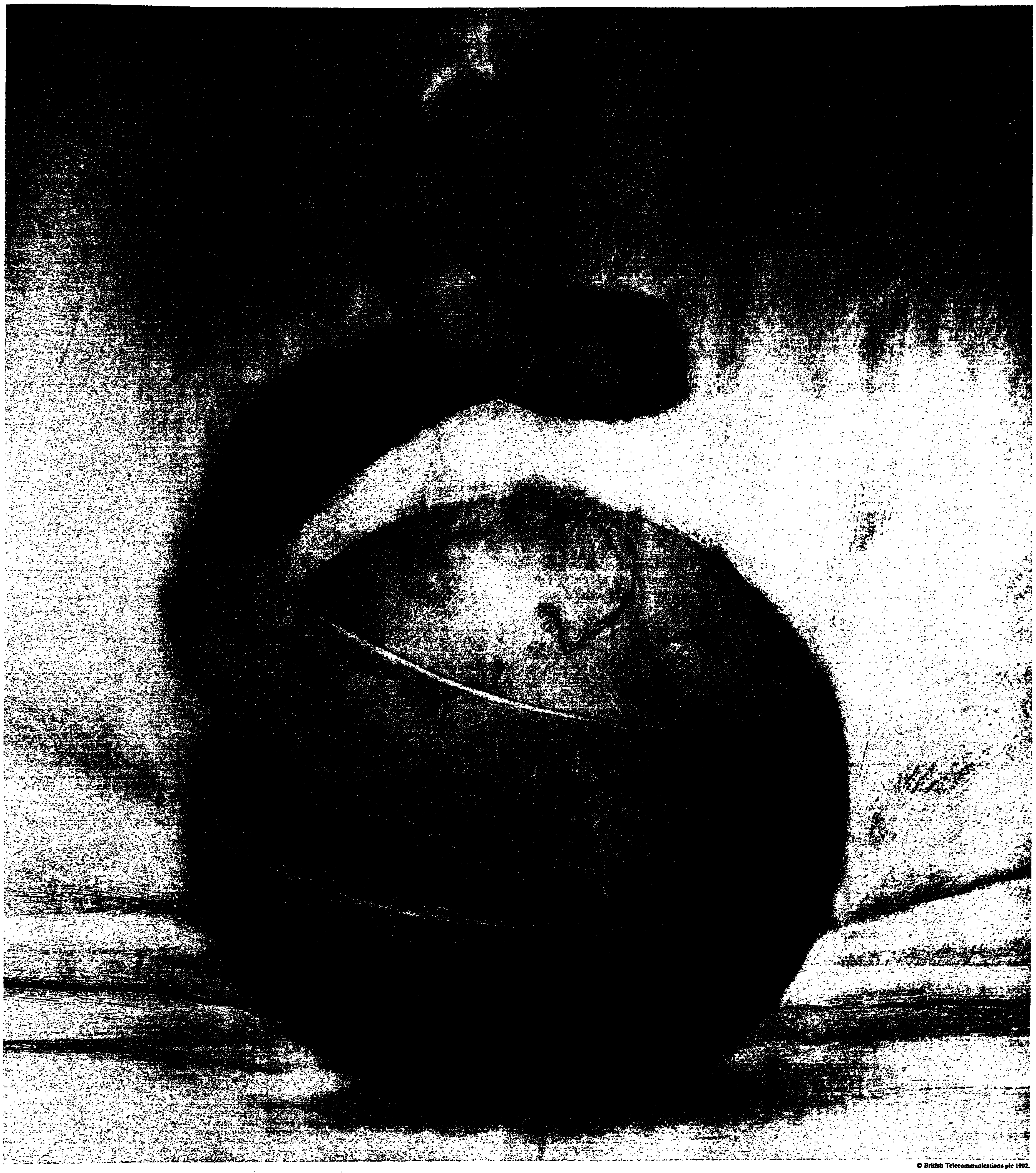
Another factor is control of monetary growth which the central bank believes fuels inflation. An expected fall in demand for money next year, thanks to recessionary tendencies, coupled with the higher target range for M3 is likely to lead to a substantial narrowing of the gap between the Bundesbank's ideal rate of monetary growth and the actual figure.

M3 expansion has outstripped targets every month this year. In October the annualised rate reached 10.3 per cent, but will fall clearly below that in November, according to Mr Issing.

Mr Ulrich Ramm, chief economist at Commerzbank said he had been convinced by recent pay deals of around 3 to 4 per cent marked a new trend, and suggested that the Bundesbank would reduce the internationally-important Lombard rate from today's 9.5 per cent to 7 per cent by the end of next year.

France's central bank yesterday announced a slight easing of its money supply target for next year, to take account of an expected small pick-up in economic growth, writes **William Dawkins in Paris**. The new range for growth of the M3 measure of broad money will be between 4 per cent and 6.5 per cent, said Mr Jacques de Larosière, governor of the Banque de France. M3 is set to grow by 6 per cent, right at the top of its 4 per cent to 6 per cent target for 1992, which Mr de Larosière attributed to a rise in savings.

He stressed that the central policy objectives would continue to be to defend the franc's stability and to control inflation, but that enlargement of the M3 target was justified to give "every chance" for an economic recovery.



Rao outlaws five religious militant groups

By Stefan Wagstyl and Reuter in New Delhi

INDIA yesterday acted further to suppress riots which have swept the country since Hindu militants stormed the Ayodhya mosque, though the death toll continued to mount.

The government last night outlawed three Hindu groups – the militant Rashtriya Swayamsevak Sangh (RSS, or National Service Corps) and the Vishwa Hindu Parishad (VHP, or World Hindu Council) as well as the nationalist Bajrang Dal.

An official in Delhi said the ban followed their participation in Sunday's attack. Two Moslem fundamentalist groups, Swayam Sevak and Jamait-e-Islami, were also prohibited. All five were accused of "promoting disharmony or feelings of enmity, hatred or ill-will between different religions."

The move follows a pledge by Mr P V Narasimha Rao, prime minister, to place a ban on religious militant activist groups. He has not yet indicated how he plans to fulfil a second commitment, to rebuild the Ayodhya mosque.

Speaking before the bans were imposed, Mr Rao said reports indicated "a perceptible change for the better" in communal unrest. Mr Rao pledged that the crisis would not derail the country's wide-ranging economic reform programme.

"The speculations that the reforms are being shelved are absolutely unfounded."

Sunday's assault on the mosque in Ayodhya, northern India, took place during a mass rally organised by the militant Hindu Bharatiya Janata Party, the main opposition party. Mr L K Advani and Mr M M Joshi, the two top BJP leaders, who are under arrest for allegedly inciting religious conflict, were yesterday remanded in custody for a week.

By late yesterday 950 people were reported to have been killed, according to the Press Trust of India, up from 760 on Wednesday.

Reports from Bombay, the country's commercial capital and scene of the worst violence earlier this week, indicated the authorities had managed to reimpose order in many districts, though sporadic street fights continued.

In Calcutta, however, the army was called in for the first time, to take control of six of the city's 35 police districts.

BJP sees Ayodhya as desperate rallying call

Stefan Wagstyl reports from New Delhi on the aspirations of India's Hindu militant opposition party

MR Kewal Ratan Malkani, vice president of the Bharatiya Janata party, the radical Hindu party whose militant supporters stormed the Ayodhya mosque at the weekend, scorns the view that the incident will backfire against the BJP.

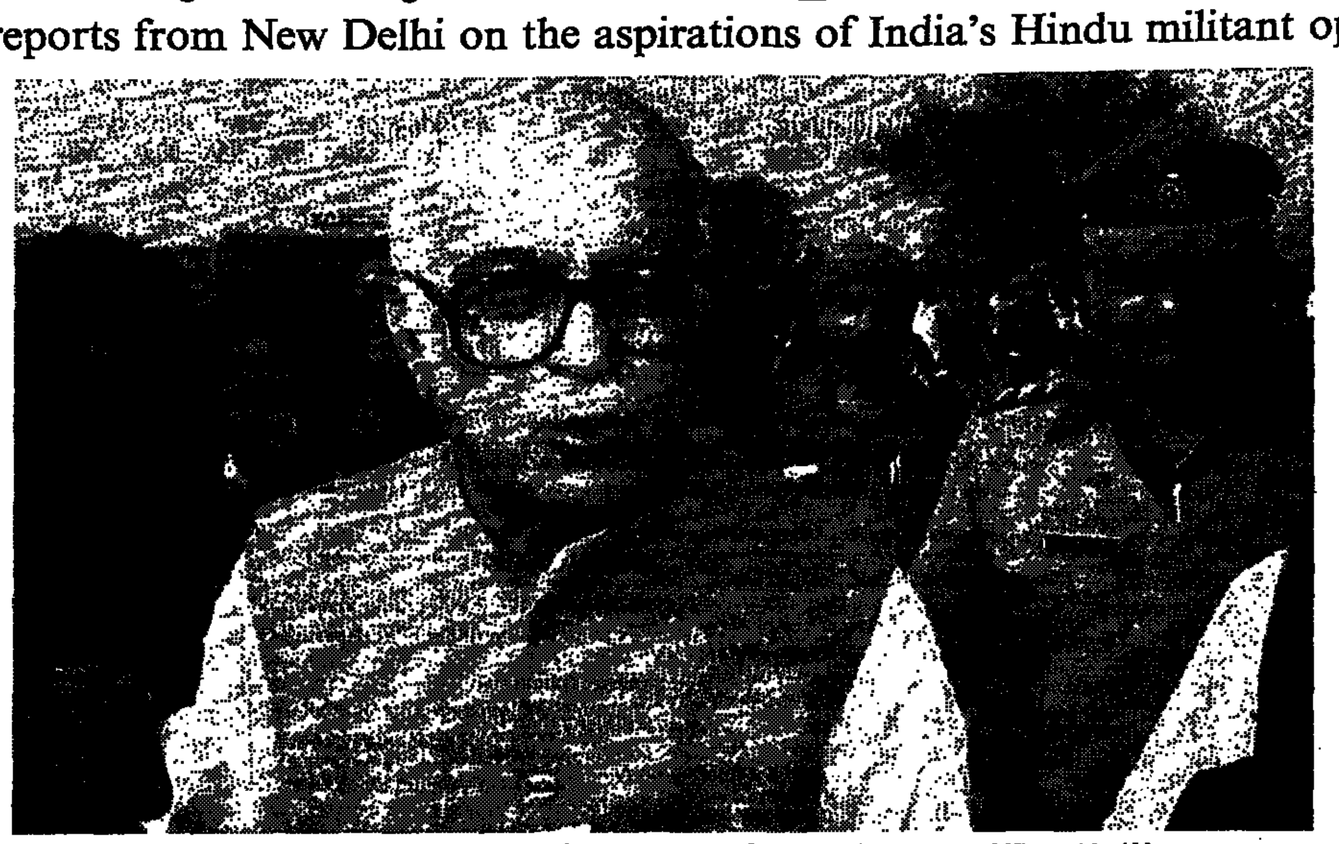
"It is only the upper classes who are shocked by this. The masses are delighted," he said an interview yesterday. "Look at Maharashtra (the state which includes Bombay and has born the brunt of the post-Ayodhya violence). If we had an election there tomorrow we would win."

The Delhi intelligentsia believes that Mr Malkani is quite wrong. Newspaper commentators insist that most Indians will now reject the BJP on the grounds that it foments intolerance. But the BJP has long learnt to do without the support of commentators.

Mr Malkani's boasts reflect the party's defiant mood. The crisis has suddenly focused its energies. All the arguments over strategy and tactics which have dogged it over the past year as it saw its popularity waning have been set aside. So clear is the aim of advancing Hindu militancy that even the arrest of top BJP officials, including Mr L K Advani, the leader, for alleged incitement of religious hatred, has barely curtailed the party's activities.

Today the BJP plans to stage demonstrations at the Pakistani and Bangladeshi High Commissions to protest against the destruction of Hindu temples in those countries.

Mr Malkani was outraged by the suggestion that Moslems were merely reacting to the Ayodhya assault. "They started this. Nobody is as patient as a Hindu but there are limits to our patience."



Mr L K Advani, a former BJP leader, talks to reporters after he was arrested and brought to a makeshift court in Akbarpur

Mr Malkani said he regretted that the assault on the mosque was against the law. He also regretted the violence which has since swept India. But he accepted none of the responsibility. Instead, he blamed the government of Mr P V Narasimha Rao, the prime minister, and on the courts for repeatedly delaying settlement of long-standing Hindu claims to the mosque site.

He also blamed Moslems for allegedly promoting intolerance. "They smashed 3,000 temples (in the conquest of northern India). We want just three back." The three are at Ayodhya, and at Mathura and Varanasi – two other Hindu holy cities where mosques stand on disputed sites.

Mr Malkani, who is 71 and has spent his life working for militant Hinduism, speaks like a man who knows that if the BJP cannot fire Hindu passions now, with the Ayodhya issue burning, perhaps it never will.

The BJP was formed in the early 1980s out of politicians linked to the Rashtriya Swayamsevak Sangh, the well-disciplined Hindu militant group which was one of three Hindu organisations banned last night. It sought to offer an alternative to the dominant Congress (I) party. But it won just two lower house parliamentary seats in the 1984 general elections.

However, in 1986, Mr Advani began to fan the flames of the Ayodhya controversy. He also exploited growing disillusion with the Congress party's secularism which had united Indians during the struggle to build post-independent India but now seemed sterile.

He won particular support from upper-caste Hindus, some of whom felt they were losing status as economic modernisation opened more opportunities to the low-caste masses. The party's financial strength came from many small shopkeepers and tradesmen, who felt Congress pampered the big corporations at their expense.

The BJP tried to make its ideology coherent. Mr Advani said it was a "nation first" party. Ideologues explained India should reject secularism and become an overtly Hindu nation. Historians rewrote parts of India's past to emphasise, for example, the role of Hindu princes, instead of Moslems, in opposing British rule. Even maths was not spared – the Pythagoras theorem was attributed in one BJP-sponsored textbook to Baudhayan, an Indian mathematician who allegedly discovered it 450 years before Pythagoras.

In last year's general election, the BJP secured 119 seats out of 543, making it the second largest party after Congress. It also won control of the state government in four states – the first taste of real power.

However, the BJP then lost ground. It was unlucky in being unable seriously to challenge Mr Rao's economic reforms – a key issue over the past 18 months. BJP leaders were early fans of economic deregulation but the prime minister stole their clothes. The party's clean image was sullied by divisions between leaders and a minor sex scandal. In governing states, it suffered from inexperience.

Moreover, even as they were wooed by the cause of Hindu unity, Hindus could hardly forget their many differences – including caste, language, wealth and regional origin. Without Ayodhya, it was difficult for the BJP to offer enough to hold them together. This autumn, when the Ayodhya conflict had temporarily gone quiet, an opinion survey showed just 14 per cent of those polled wanted Mr Advani as prime minister, against 49 per cent for Mr Rao.

Mr Pran Chopra, a leading political analyst, is convinced Mr Advani's rating has fallen further this week: "Ayodhya will damage the BJP's share of the total vote. The feelings of committed supporters may have hardened, but the party will lose mass support." Mr Chopra believes the voice of moderation will prevail – a view shared by other analysts.

US hopes for quick fix meet Somali reality

By Julian Ozanne in Mogadishu

THE US plunged into the labyrinthine and unstable world of Somali politics yesterday when it brokered meetings between two of Somalia's rival warlords.

Since the beginning of the military-humanitarian intervention, Washington has said it was mounting a purely humanitarian operation in which would avoid playing a political role. Now, on day two of the operation, the US State Department has grasped the reality that a political solution is fundamental to ending starvation in the conflict-torn country.

It may be a move it will live to regret.

Complicated and bitter clan rivalries and a fiercely individualistic culture have fuelled the civil war. The four main clans in the country, which themselves divide into sub-clans, have forged militias and formed shifting alliances with the country's warlords.

The face-to-face meetings between Gen Mohammed Farar Aideed and Ali Mahdi Mohammed, who control different parts of war-blasted Mogadishu, will start today at the gutted US embassy. The talks will be attended by Mr Robert Oakley, US ambassador-at-large, and will be the first since the two men started fighting each other last November.

The US will guarantee the security of today's talks and act as broker to a settlement which has eluded the best efforts of the United Nations for more than a year.

Somali political experts agree that reconciling Gen Aideed and Mr Mahdi – who claim allegiance from two different sub-clans of the Hawiye clan, the Habir Gidir and the Abgal – is the critical first step to a wider national reconciliation. Both men claim to be the genuine legitimate leaders of the United Somali Congress, the politico-military movement which forced former dictator President Mohammed Siad Barre out of power in January 1991.

Once the split in the USC is repaired it will then be possible to attempt to heal the internal divisions in other loose clan-based political movements before moving forward to a national conference to pave the way to an interim government followed by elections.

But the first step of the process will be difficult. The conflict between Gen Aideed and Mr Mahdi is largely a personal power struggle supported by their two sub-clans. The men hate each other and the bitterness of 13 months of brutal urban warfare will be near impossible to overcome. Many Somalis believe a solution will unfold only once the two warlords have withdrawn from centre-stage – a move unlikely to be considered by either man.

The clans have no fundamental political, ideological, religious, ethnic or linguistic differences. But there have been clan disputes through Somalia's history, often over water holes and pastures, scarce resources in a drought-plagued land.

A political solution will have to be based on movements representing the interests of the four leading clans – the Hawiye, the Darod, the Raheweyne and the Isak.

"Clan divisions will never vanish. They are the nuts and bolts of Somali society. Therefore the world must work on that basis," says Dr Osman Guled, a political scientist visiting from Canada.

Dr Guled adds that the inclusion of powerful Somali merchants will be vital for a successful political process, as will working out a plan for the future equitable distribution of resources and territorial authority for each of the main clans.

Confidence building, establishing transparent, impartial and objective institutions of civil society, and getting reconstruction and development under way will also be vital. The process is bound to take a long time and tax the patience and resources of Washington, which is eager for a quick solution.

NEWS IN BRIEF

Rioting spreads to Yemeni capital

RIOTING spread to the Yemeni capital Sanaa yesterday and police fired shots in the air and tear gas to stop hundreds of demonstrators reaching the presidential palace, Reuter reports from Sanaa.

Witnesses said rampaging crowds set fire to government-owned cars. Dozens were arrested and some were beaten by police before being put on trucks and taken away.

In Taiz, 260km south, security forces opened fire on rioters protesting at price increases on Wednesday, killing up to nine people and wounding 29.

The disorders were the worst in Yemen since the north and south merged in 1990. There was no immediate indication why the riots spread to the capital. Strikes and demonstrations to demand more pay and a price freeze on essential foodstuffs have dogged Yemen since unification.

Aid promised to Mozambique

International donors yesterday promised Mozambique $760m (£500m) in aid for its long-term reconstruction programme and indicated that more would be offered at a peace conference in Rome next week, Reuter reports from Paris.

The World Bank said the $760m included around $137m in food aid, with the rest intended for various economic and social projects plus import support. Mr Eneas Comiche, Mozambique's finance minister, said he was hoping for total external support, including a Paris Club debt rescheduling, of around $1.2bn in 1993.

Boudiaf was 'conspiracy' victim

The murder last June of Mr Mohamed Boudiaf, the Algerian acting head of state, by one of his bodyguards was a conspiracy that mainly benefited radical Moslem movements, according to a commission of inquiry set up by the country's leadership writes Francis Ghilès in London.

The 118-page report has not been published, but Mr Rezzag Bara, the commission chairman, said on state television that the conspiracy was put together "by those whose interests were threatened".

A total of 30 members of the Algerian security forces have been charged with "serious negligence" in placing Lt Lembarek Boumarafi, the assassin, who was known for his support for radical Moslem views, in a group whose duty was to protect a man well known for his opposition to such views. The inquiry did not determine whether the negligence was deliberate.

No senior Algerian has publicly accused the now banned Islamic Salvation Front (FIS) of murdering Mr Boudiaf. Indeed, some have privately told western officials that the FIS is not to blame. The FIS for its part has never claimed responsibility.

Australian unemployment worsens

Australia's unemployment rate worsened yet again in November, rising 0.1 per cent to a new post-1930s record of 11.4 per cent, accentuating the depth of the country's economic recession, writes Bruce Jacques in Sydney.

Australian Bureau of Statistics figures showed the total number of people in work fell from 7.71m to 7.64m.

Mr Kim Beazley, the federal employment minister, said economic growth of at least 3 per cent was needed to begin to cut the unemployment rate. Last month the Australian government shuffled spending programmes already announced for the next 18 months, adding about A$182m (£82m) to job creation schemes.

The unemployment burden was spread unevenly across Australia's states, with the biggest growth in South Australia, where the level rose from 11.4 to 12.2 per cent. The rate in Victoria rose from 11.8 to 12.1 per cent. Western Australia achieved a cut from 11.3 to 10.6 per cent.

UK-China talks make no progress

By Simon Holberton in Hong Kong

THREE days of talks between Britain and China about Hong Kong's future ended yesterday with the two sides still sharply divided on the issue of political reform and having made no progress on other matters.

The deadlock between the two was underlined by China's insistence that the Sino-British Joint Liaison Group (JLG) not issue a joint communiqué – a break with past practice – and by its reluctance to approve any agreements with the UK concerning Hong Kong.

Explaining Beijing's position, Guo Fengmin, the leader of the Chinese side, said: "The basis of co-operation between the Chinese and British government's has been severely undermined."

He again called on the British government to withdraw Governor Chris Patten's proposals for more democracy in the colony's 1995 elections. Only then could co-operation be restored, Guo said.

Mr Tony Galsworthy, leader of the British team, said he had told the Chinese side that Britain was willing, without preconditions, to discuss with China the conduct of Hong Kong's 1995 elections.

"We do not insist that Mr Patten's proposals should form the sole basis of such discussions: we are prepared to discuss any aspect of this subject which the Chinese side wish and any ideas which they wish to put forward, as well as any areas where they feel Mr Patten's proposals might be contrary to the Basic Law."

He made plain that this offer could be taken up by the Chinese at any level. "I'm quite sure that Mr Patten and the British government would make every effort to solve this impasse," he said.

Mr Galsworthy said the atmosphere of the three-day meeting had been generally courteous. The Chinese, however, displayed "great rigidity" in their position on the substance of matters and there was "no progress to speak of".

The Hong Kong stock market continued to be unsettled by the tension. The Hang Seng index fell 65.46 points, or 1.2 per cent, to close at 5,273.79.

Japan's downturn reaches the provinces

Charles Leadbeater visits a quiet town caught in the fallout of the deflating bubble

THE coastal scrubland of Uchinada-machi does not look worth Y3.8bn (£20m). Yet that is what Daikyo, the property developer, paid for the sand hills overlooking the Japan Sea where it planned to build a dream resort with a 28-storey hotel, apartment block, amusement arcades and shopping malls.

The project, which the local government approved in the teeth of fierce opposition from local environmentalists, was to have cost Y900bn.

This autumn Daikyo announced that the dream conceived in the years of Japan's "bubble" economy was being postponed for at least a year and a half. Most local people believe the sand dunes near the city of Kanazawa will remain no more than that.

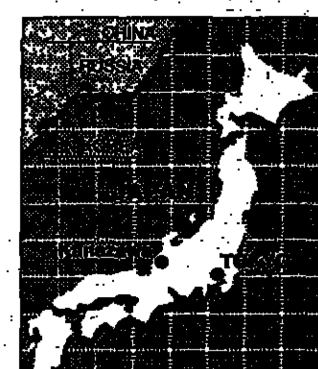
The resort plan was the most striking example of how Kanazawa became partly caught up in the bubble despite its deep-rooted conservatism. Now it is starting to feel the impact of the bubble's deflation and the economic downturn which has followed in its wake.

The spread of the downturn to the provinces is likely to be one of the main themes of the Bank of Japan's influential quarterly report on the state of the Japanese economy which is published today.

The report is likely to show that business confidence in the final quarter of the year reached lows not seen since the recession caused by the first oil shock almost a quarter of a century ago.

A crucial budget bill to stimulate Japan's sluggish economy became law yesterday after clearing a final hurdle in the upper house of parliament, Reuter reports from Tokyo.

The Y2,070bn (£11bn) supplementary budget, approved by the lower house 10 days ago, was passed just before parliament was due to close. Mr Kiichi Miyazawa, prime minister, had been under pressure to win approval of the budget, some of which will go towards implementing the Y10,700bn emergency economic package.



Kanazawa was on the fringes of the bubble. Land prices there rose by 29 per cent in a year at their peak, compared with rises of more than 90 per cent in the large cities. The town's quiet streets saw a few Mercedes Benz cars with designer-clad drivers. Property developers arrived with plans for golf courses.

Yet the bubble did not create the frenzy that it provoked in Tokyo. People in Kanazawa regard the speculation of that era as an infection, as much due to moral laxity as to ill-designed economic policies.

Mr Hiroshuke Hashiba, managing director of the Daiwa department store, Kanazawa's largest, remarked: "People got over confident. They thought because we had a huge trade surplus we could do anything. They thought that all this money gave them power, but actually it was just money going round and round."

At the prefectural government building in the centre of the city overlooking an avenue of trees, Mr Yaichi Nakanishi, who has been the governor of the Ishikawa prefecture for 30 years, said: "There was too much money around and people believed that whatever they produced would be sold because the economy had always grown so fast they could sell whatever they made."

Many in Kanazawa believe the bubble's collapse should mark a moral turning point back towards the values of thrift, hard work and self-sacrifice which most older people regard as the cultural roots of Japan's economic success.

Mr Ryozo Koshijima, the president of the local chamber of commerce, explained: "We stick to our own business in this area without buying stocks and shares or making a huge surplus for ourselves. The characteristics of this area are hard-working, stable, calm people."

However, in spite of this cultural inoculation against "bubble values", Kanazawa has not been able entirely to escape the economic consequences of the bubble's deflation.

Local industry, which is based on machinery making, is being hit by cuts in capital investment and exports. Domestic sales of Tsudakoma, the leading international textile machinery maker, are 20 per cent down in the past few months compared with the same period last year and exports fell by 15 per cent with slowing demand from Asia and Europe.

According to Mr Shinsuke Taga, Tsudakoma's general manager, "this downturn is probably worse than previous recessions because we are facing slower demand at home and abroad".

The local Hokkoku bank's conservatism has stood it in good stead. Its lending to property developers was limited. As a result it has one of the strongest capital bases among Japan's banks.

Yet Mr. Takeki Ataku, a senior executive, acknowledges that caution is making it increasingly reluctant to lend to companies in trouble. There were 48 bankruptcies in the area in the third quarter, more than double the number in the first three months of the year.

The local labour market is still very tight, with 146 job offers for every 100 job applicants, compared with a ratio of 80 to 100 in Tokyo. Yet in spite of this the air of caution is spreading into the high street.

Mr Hashiba at the Daiwa store which dominates the centre of the town, explained: "People are becoming much more choosy, buying a shorter coat for winter because it is cheaper, ankle boots instead of knee-length boots. They are still spending but they are cutting back."

Daiwa's sales growth is slowing and retail sales in the region fell for the first time in September. Even the prefecture's tourist economy is being hit, with visits to the region's top six hot springs resorts down by 10 per cent.

Kanazawa watched the rise and fall of the bubble economy as a financial spectacle in the big cities which little concerned it. Its strength rests upon its world class manufacturing companies such as Tsudakoma and Komatsu, the construction equipment manufacturers.

In the wake of the bubble's deflation the gyrations of the stock market can still provoke a sense of crisis in Tokyo. In Kanazawa there is quiet caution as its economy shrinks with companies producing and investing less, consumers spending and banks lending less.

Most business leaders are increasingly pessimistic. They do not expect growth to return till the end of next year. Mr Koshijima explained: "The economy will probably not go down and down but it is probably going to stay very flat for a long time."

Iraq bans range of imports

By James Whittington in Amman

IRAQ has adopted a severe austerity package to try to rescue the country from economic disarray.

In what is seen as an attempt to conserve the country's depleted foreign currency reserves, save the Iraqi dinar, and curtail profiteering merchants, the regime is due today to implement a blanket ban on 146 imported consumer goods.

Frenzied trading in Baghdad has been reported over the past few days with merchants selling the now banned commodities at knockdown prices to clear their shelves by the deadline which expired last night.

A relief agency official in the city said: "From early in the morning to late at night, thousands of people are buying and selling. A newcomer to Baghdad would never believe that the country is suffering under the economic embargo."

The ban includes a wide range of "luxury items" such as cheese, canned vegetables, foreign cigarettes, frozen chicken, furniture and electrical equipment, and Christmas trees which are no longer permitted to be sold. Alcohol has been exempted from the ban.

Earlier this year, 42 merchants were executed in Iraq for so-called "economic sabotage".

Asian growth to accelerate

By Steven Butler in Tokyo

ECONOMIC growth in the world's fastest growing region, Asia's developing and newly-industrialised countries (NICs), is set to accelerate from 6 per cent this year to 7 per cent in 1993, says a forecast published yesterday by the Institute of Developing Economies, a Japanese government-backed research institute. The acceleration of growth follows a year in which the region's economies, while slowing from the 7.3 per cent expansion of 1990, moved forward largely on the basis of internally generated demand and investment.

Next year promises stronger growth because some governments in the region are expected to ease monetary policy following a period when interest rates were raised to combat inflation and deteriorating current account balances. The forecasts are based on an econometric modelling of the four NICs – South Korea, Taiwan, Hong Kong, and Singapore – and Asean members Malaysia, Indonesia, Thailand and the Philippines.

Thailand is expected to post the highest rate of expansion next year, at 8.5 per cent, against an estimated 7.5 per cent this year, thanks to an increase of public investment and a recovery in foreign direct investment. Malaysian growth is expected to slow, from 8.8 per cent to 7.8 per cent, following the expiry of an [illegible] scheme for foreign direct investment.

US set to reclaim chip sales top spot

By Michiyo Nakamoto

THE US semiconductor industry could reclaim top place in world market share this year for the first time since the Japanese took it over in 1985, industry analysts say.

This expected reversal, the first in seven years, is a triumph for US efforts to boost its electronics capability; it comes as the US semiconductor market has grown while Japan's has shrunk.

This year, the US chip market is expected to have grown by over 15 per cent, with Japan's likely to have declined 10 per cent, according to Dataquest, the high technology consultancy.

Against this background, "you can easily draw the conclusion that US companies will gain share at the expense of Japanese companies," Mr Jim Eastlake, associate director of Dataquest in the UK, says.

Strong demand for memories and microprocessors from the personal computer market is why the US market has grown this year, he adds.

The US companies Dataquest expects to have increased market share are Intel, Motorola and Texas Instruments, numbers three, four and six in the 1991 rankings. . NEC had top spot in 1991, where it has been since 1985, followed by Toshiba. Hitachi was fifth.

Intel, which is investing heavily in R&D and capital spending is likely to continue to grow, Mr Eastlake says. It is investing \$2.5bn (£1.64bn) in combined R&D and capital expenditure, more than the total such spending being undertaken by the top three European chip makers – Philips, Siemens and SGS-Thomson – and more than the entire revenue from semiconductor businesses for Philips or Siemens in 1991.

R&D and capital spending by the top 10 Japanese chip companies totalled \$10.5bn this year, against \$2bn for Intel alone. NEC's R&D and capital spending was \$1.5bn, with 1993 Japanese spending expected to be flat.

'Rusty' Gatt talks run against the clock

By Frances Williams in Geneva

TRADE negotiators in the Uruguay Round of trade liberalisation talks are casting doubt on the feasibility of concluding a "political" package by the end of the year as had been hoped. However, they remain determined to finish the round before March when the US administration's negotiating mandate runs out.

Little progress has been made since the Uruguay Round resumed in Geneva on November 26, following the deal on farm trade between the US and the European Community. The US, EC and Japan have complained that trading partners have not shown the necessary sense of urgency.

"We have some difficulty putting the machine in motion; perhaps it has become too rusty," said a senior EC official. "It is looking increasingly difficult. A lot of issues are not close to being resolved," a top US negotiator confirmed.

The Geneva talks have been in abeyance for nearly a year while the two giant traders bargained over farm subsidies.

The US and EC have also yet to present draft tariff schedules reflecting their November accord, without which the hard bargaining on reducing tariff and non-tariff barriers to goods imports cannot begin in earnest. The EC schedule is due next Tuesday.

Negotiators agreed to seek a "political" conclusion to the round by Christmas – that is, to complete the package of fair trade rules covering 15 broad trade sectors and decide on "the overall shape, content and value" of specific trade liberalisation commitments for goods and services. This would be followed by a few weeks of "tidying-up" work.

However, none of the remaining problems has been resolved. Battles lie ahead over Japanese rice and some other farm issues. In services, where the EC yesterday presented a revised liberalisation offer, negotiators disagree on such key sectors as maritime transport, audiovisual services, telecommunications and financial services.

The US is unhappy with draft proposals to create a Multilateral Trade Organisation which would absorb the General Agreement on Tariffs and Trade and the proposed sister bodies on services and intellectual property.

Shell seeks Singapore expansion

By Paul Abrahams

SHELL Eastern Chemicals, Shell Chemicals' Asian subsidiary, has announced it intends to ask its board next year to approve a S\$1bn (£385m) styrene monomer and propylene oxide complex in Singapore.

The complex, one of the most important recent investments in Singapore's rapidly growing chemicals industry, would start production in 1997.

It would have an annual capacity of 320,000 tonnes for styrene monomer, 140,000 tonnes propylene oxide, 80,000 tonnes polyols and 30,000 tonnes propylene glycol. Shell hopes to build it at Pulau Seraya, one of four islands designated for Singapore's petrochemicals expansion.

Trichem, the London-based consultants, said the Asian propylene oxide market was fairly healthy, although South Korea had recently brought on line a plant and Japan was planning capacity expansion.

However, although there was a shortage of styrene in Asia, global overcapacity remained a problem. Styrene operating rates could fall to about 80 per cent in 1995, after which they should rise at between 1.5 per cent and 2 per cent a year.

Meanwhile, Shell Overseas Investments, a holding company owned by Royal Dutch Shell, said it was extending its shareholding in Petrochemical Corporation of Singapore from 30 per cent to 50 per cent. The shares were previously held by Temasek Holdings.

Building faith in EC anti-trust system

Guy de Jonquières and Andrew Hill on competition policy reform

IN THE anguished debate over subsidiarity, few EC officials tread a more delicate line than Sir Leon Brittan. As competition commissioner, he has a pivotal role in policing the single market. Yet the job's far-reaching legal powers also make it a natural target for those who accuse Brussels of unwarranted intervention in EC member states' affairs.

Brittan: seeking more authority, to be exercised more efficiently — Glyn Genin

This week, Sir Leon attempted to strike a fresh balance by seeking more authority in one area while offering concessions to critics in others. Whether or not he remains in his current job beyond the end of this year, his proposed reforms appear intended as a blueprint for the future evolution of EC competition policy.

Sir Leon wants to expand the Commission's authority over mergers to cover smaller deals. That would require approval by member governments, which will review the workings of the two-year-old EC merger regulation next year.

At the same time, he promised to devolve to national authorities more responsibility for handling EC competition cases, and to accelerate Brussels' notoriously long-winded procedures for dealing with anti-trust cases which fall outside the merger regulation.

In theory, this last proposal could have substantial and immediate consequences for European business. It also represents Sir Leon's most concrete response yet to arguments that the Commission's methods are too slow and opaque, and that its responsibilities should be transferred to an independent EC competition body.

Commission investigations into cartels, illegal pricing agreements and other monopolies cases rarely take less than 18 months, and often much longer. Furthermore, many companies which voluntarily seek Brussels' opinion on the legality of business arrangements never receive a reply.

"Accelerated procedures are desperately needed," says Mr Richard Coles, solicitor at ICI, the UK industrial group, which waited several years in the 1980s for the Commission to clear a joint PVC venture with Enichem of Italy.

It is the Commission's efficient handling of cases under the merger regulation that has prompted increased complaints about its shortcomings in other areas of competition policy.

The regulation is administered by a special task force, which must say whether it objects to a deal within a month after it is notified. If it does, it then has a further four months to make an in-depth investigation.

Sir Leon now proposes to extend this "two-stage" deadline system to the rest of the EC competition directorate's work. The new regime will start on January 1 for joint venture inquiries and on April 1 for all other types of case.

But will the roughly 100 Commission anti-trust experts who will be charged with making the new system work be able – or willing – to deliver? Some outside experts say they detect evidence of bureaucratic resistance within the competition directorate.

In any case, the new deadlines, unlike those imposed by the merger regulation, have no statutory force. Sir Leon says that to make them legally binding would require extra cash and personnel which, he admits, EC governments are in no mood to provide.

Some lawyers in Brussels also believe the deadlines may increase still further the competition directorate's workload by encouraging more companies to submit proposed business agreements for anti-trust clearance.

Nonetheless, senior competition officials are cautiously optimistic about their ability to cope though, as one admits, the new regime is "more like an indication of best endeavours".

They point out that, in practice, a certain amount of flexibility will be built into the system. For instance, the clock will only start ticking once companies have supplied all the information needed to start a *preliminary investigation.*

Some legal experts, while applauding Sir Leon's initiative, are openly sceptical about how much will change in practice. Mr Christopher Bright of City solicitors Linklaters & Paines also argues that the reforms do not address a more fundamental concern about the Commission's methods.

This arises from the discrepancy between the pragmatic and reasoned approach to cases taken so far by the merger task force and the more doctrinaire attitude displayed by other parts of the competition directorate.

Others, however, argue that Sir Leon has put Brussels' moral authority over competition policy on the line by setting out to satisfy critics that it is capable of exercising its powers fairly and efficiently.

If the Commission fails to live up to that self-imposed challenge, it risks fuelling demands that it either cede some of its jealously-guarded prerogatives to national authorities, or be compelled to transfer them to an independent cartel office.

Steps to steel pact gather pace

OFFICIALS from about 30 countries were last night due to finish two days' talks on a multilateral steel agreement, the first negotiating meeting since negotiations broke up without a deal last March, writes Frances Williams in Geneva.

Countries are expected to agree further meetings in a bid to finalise a deal by next February, when the Uruguay Round of global trade talks is due to be concluded. But the US and EC remain far apart on how to treat steel subsidies and dumping in the proposed accord. The EC insists a deal must address the present spate of US anti-dumping and anti-subsidy suits, while the US argues the MSA should apply only to future actions.

If agreed, the MSA would phase out steel tariffs over 10 years, scrap non-tariff barriers and outlaw direct state subsidies for steel production. But disagreements exist over how far indirect subsidies, and curbs on US recourse to anti-dumping and subsidy action, should be allowed.

Eurofer in beam 'dumping' call

Eurofer, the European steel producers' federation, is to complain to the European Commission about alleged steel beam "dumping" by Hungarian, Polish, Romanian, Czech and Slovak manufacturers, *writes Andrew Hill in Brussels.* The Commission pledged last month to speed anti-dumping procedures to help the industry, hit by cheap imports from eastern Europe and the ex-Soviet Union.

Taiwan pledge

Taiwan's China Steel, the island's largest steel maker, said yesterday it would invest T\$67.35bn (£1.75bn) to boost output capacity 43 per cent over the next five years, Reuter reports from Taipei. The company expects steel demand in Taiwan to rise by 1m tonnes a year over the next few years.

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Company Number: 2333030

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at 81 Cromwell Road, London SW7 5BW on 15th December, 1992 at 11.30 a.m. for the purposes mentioned in Section 99 and 100 of the said Act.

Creditors wishing to vote at the meeting must lodge a proxy, together with a statement of their debt, at the offices of Robson Rhodes, Bryanston Court, Selden Hill, Hemel Hempstead, Hertfordshire HP2 4TN not later than 12.00 hours noon on 14th December, 1992.

A list of the names and addresses of the company's creditors will be available for inspection, free of charge, at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU on the 11th December, 1992 and 14th December, 1992 between the hours of 10.00 and 16.00 hours.

Dated this 7th day of December 1992
Martin Lock, Director

COMPANY NOTICE

THE ROYAL BANK OF CANADA
U.S. \$300,000,000 Floating Rate
Debenture Notes due 2085

NOTICE IS HEREBY GIVEN that for the Interest Period commencing on 14th December, 1992, the Notes will bear interest at the rate of 3⅞% per annum. The interest payable on 15th March, 1993 against Coupon No. 28 will be U.S. \$9.63715 per U.S. \$1,000 nominal.

Agent Bank
ROYAL BANK OF CANADA EUROPE LIMITED

COMPANY NOTICE

FONDO DE INVERSIONES DE VENEZUELA

In relation to the privatization of the La Rinconada Racecourse, the Venezuelan Investment Fund (Fondo de Inversiones de Venezuela) announces that the deadline for the submission of the information and documentation required to be part of the registry of interested investors, has been extended until January 22, 1993, 5:00 p.m.

For additional information, please call the following telephone numbers:
(582) 806-5975
(582) 806-5971
(582) 806-5905
(582) 284-0653
(582) 284-1357;
or Fax:
(582) 83-9169
(582) 28 4-8278

Go-ahead for new taxes in Brazil

By Christina Lamb in Rio de Janeiro

THE Brazilian government has won its first round in the battle to introduce a long-awaited fiscal reform, with the approval by a congressional commission of a project to bring in new taxes.

After a month of negotiations over a government proposal the all-party commission finally reached consensus late on Wednesday night on introducing new taxes on financial transactions (including 0.25 per cent on all cheques), corporate assets and fuel, to raise an estimated \$9.5bn (£6.3bn). They also agreed on setting up special tribunals and lifting banking secrecy for suspected tax evaders. The project allows for state companies to be declared bankrupt.

The reform is crucial to help cover a \$13bn hole in next year's budget and allow re-establishment of talks with the International Monetary Fund over a new accord. Tax revenues have fallen 25 per cent in real terms over the past two years and evasion this year is estimated at \$35bn.

The project must now go to Congress, where it needs to be approved by votes in the lower and upper houses. Mr Roberto Freire, leader of the government in Congress, said yesterday: "The commission's approval gives us the conditions to find a consensus in Congress."

The financial markets reacted positively to the news, with the main São Paulo index rising 3 per cent by lunchtime.

Monster teaches Brazilians the future can be different

Christina Lamb on hopes for an old steelworks

CSN "has taught the country to think big", boasts the corporate video for Brazil's state-owned National Steel Company. A clanking monster of pipes and chimney stacks belching out thick grey smoke over the vale of Volta Redonda, CSN was Brazil's first industrial plant, built in 1946, and symbolises the country's remarkable postwar industrial growth.

Two years ago, CSN almost closed, shattered by years of political interference, price controls and a bloated and militant workforce, and drained by subsidised sales to the car industry in the 1970s, which cost an estimated \$10bn (£6.5bn) and left the company with huge debts.

In the past few months, the company has taken on a new symbolism. It is to be sold off in less than two weeks in Brazil's largest privatisation to date, and the CSN auction has become the first real test of how far President Itamar Franco is committed to modernisation.

Mr Franco's nationalistic leanings have raised doubts that the \$1.6bn sale will proceed on December 22. But Mr Roberto Procopio Lima Neto, CSN's president, insists on the necessity. "The survival of the company depends on privatisation," he told a recent meeting of creditors and clients.

Built during the second world war with American help, in exchange for the use of airbases on Brazil's north-eastern coast, CSN is the biggest and most modern integrated steelmill in Latin America. Steelmaking capacity has been boosted from 85,000 to 4.6m tonnes, and it is the world's largest single producer of tinplate, with a capacity of 1m tonnes.

When Mr Procopio took over in 1990, CSN had no money or credit for raw materials or salaries. Since then, he has transformed the company, reducing costs from an average \$298 a tonne industrialised to \$223, through implementing a Total Quality programme and Japanese management techniques, and slashing the workforce from 23,000 to 16,600.

Last year CSN emerged from the red, turning in a \$31m profit on \$1.6bn sales; this year will produce a record 4.45m tonnes of liquid steel and 4.1m laminated hot steel.

Although a recent \$800m capitalisation by the government has reduced the company's debts to \$1bn, new money is desperately needed to carry out a \$1.4bn investment programme to maintain technology, improve quality and meet environmental regulations. CSN imports coke, for example, because it cannot raise the \$60m needed to overhaul its coke plant.

Since being privatised last year, Usiminas, another Brazilian steel producer and its main competitor, has taken 5.7 per cent of CSN's market and largely blocked off the important Argentine market by purchasing a stake in Somisa, the Argentine steel distributor.

> CSN is the biggest and most modern integrated steelmill in Latin America. Capacity has been boosted from 85,000 to 4.6m tonnes

Mr Sidney Henriques, assistant to CSN's director of operations, says: "As a private company, Usiminas is far more agile, while we're still in the straitjacket of the state. If I want to buy anything, even photocopying paper, I have to tender for bids.".

Usiminas' success has contributed to a remarkable change of mentality among the workers at CSN, historically a hotbed of militancy.

An army battalion is stationed nearby to put down any strikes and a plaque outside the plant commemorates the death of three workers shot in 1988 when the military was sent in to break up an occupation, a cause célèbre of the Brazilian left. Yet in union elections in July the moderate Forca Sindical won on a pro-privatisation platform.

Mr Luiz de Oliveira Rodrigues, new president of the metalworkers' union, explains his own conversion: "We brought intellectuals here for debates and I could find no compelling argument against privatisation." He adds: "If there's a business opportunity in Chile, it takes us 35 days to get permission to travel. At Usiminas it's just one call and they're on the aeroplane."

Enthusiasm for privatisation has been sweetened by a scheme to offer 10 per cent of the shares to employees at a 70 per cent discount and a further 10 per cent at minimum price.

The workers' pension fund plans to acquire a further 15 per cent. Mr Jose Marcus, who has worked for the company for 22 years and has applied for the maximum 454,000 shares, says: "I'm very happy. I'll have as many shares as the president and will be rich and live in five-star hotels."

The residents of Volta Redonda are less sure. Transformed by CSN from a rural coffee region into a metropolis of 400,000, the city clearly is dependente on the plant; the fear of lay-offs hangs heavy in the air. Recent municipal elections were won by an anti-privatisation candidate. Mr Lulu de Oliveira, a doctor and local councillor, says: "CSN has a social debt to this city. It has left a legacy of poor housing for workers brought in for expansion, and owns a third of the land. Who knows what will happen if it is in private hands?"

It is still unclear what decision President Franco will reach. As one of the generation which saw CSN as a symbol of industrial might, he has made clear his reservations about the sale.

But this week he received union leaders asking for it to go ahead. Meanwhile, he has called for a new evaluation and, aware of the repercussions of cancellations among investors, has promised that if the sale is delayed, he will immediately set a new date.

Senate committee approves debt deal

By Christina Lamb

THE Brazilian Senate commission on foreign debt yesterday approved the text of a \$44bn (£28.9bn) debt agreement with commercial creditors.

Approval of the agreement, which was reached in July and finalised in September, had been held up by the ousting of President Fernando Collor and objections to the text by some left-wing senators. Delays caused the price of Brazilian debt on the secondary markets to fall to less than 27 cents this week.

The 27-member commission voted by an absolute majority to approve the text, although four senators recommended a delay for further studies on Brazil's capacity to pay. It goes to the plenary for approval.

Senator Jose Fogaca, rapporteur of the commission, said: "Today's vote... is an important step towards Brazil's full re-entry into the international financial community and should encourage new flows of foreign capital."

However, a New York-based debt trader said he did not expect the price to rise much "because of the general lack of good news out of Brazil".

There is considerable doubt over the future of the agreement. The new economic team cancelled talks with the International Monetary Fund over the \$2.1bn accord signed in January which has lapsed because of the country's failure to meet targets. An IMF agreement is considered crucial for the deal and its absence is blocking the disbursement of credits.

Armed campesinos on patrol as part of the Peruvian army's civil defence campaign

Peru army teams up with locals to beat guerrillas

Sally Bowen on a campaign that reaches deep into the jungle

WE ARE at war, reads the not-so-welcoming sign over the sandbagged hut at the edge of Puerto Bermudez's dirt-red airstrip. "It is everybody's war and united we shall overcome."

Here, in Peru's central jungle, unity means alliance between the Pichis valley's largely native Indian population, the Ashaninkas, and the Peruvian army. When their chief was captured and subsequently executed by the MRTA (Tupac Amaru Revolutionary Movement) in late 1989, Ashaninkas rose up against the guerrillas, taking bloody reprisals against any natives or settlers believed to be collaborators.

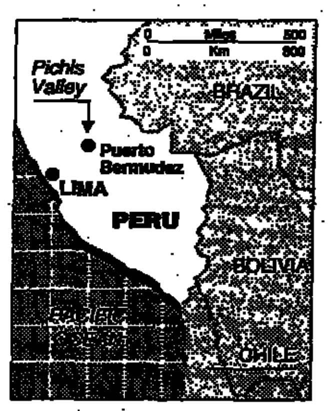
Now the Ashaninkas, like civilians all over Peru, are being forced to make definitive choices in the counter-subversion war. Throughout the country's extensive "emergency zones", the army is recruiting ordinary Peruvians for "rondas" or civil defence patrols which serve as a supplementary army under direct military command. Those who refuse are inevitably suspected of subversive sympathies.

The Fujimori government is finding itself obliged to compensate in manpower for its desperately inadequate counter-subversive equipment and munitions. A long-critical situation has been exacerbated by swingeing post-coup cuts in US financial assistance to Peruvian anti-narcotics police and military operations.

In the central jungle, where one aged Russian M-17 helicopter serves as the sole troop support, the warlike Ashaninkas look to be the answer to the under-funded military's prayer. The Pichis valley standing army now comprises 500 professional Ashaninka soldiers plus 5,000 more trained reservists. Nine control posts along the 50 miles of semi-tropical valley exert rigorous documents checks and vehicle searches. Ashaninka "vigilantes" wear T-shirts declaring "anti-subversive commando" and work alongside the small official military detachment.

Apart from some three dozen relatively modern firearms, however, most of these Ashaninka soldiers are armed only with their traditional hunting weapons, bow and arrow. With these, they are deadly accurate at up to 30 yards – and army commanders in the zone say arrows are superior for short-range combat in scrub undergrowth to the light automatic FALs or Kalashnikovs favoured by the guerrillas.

But the implacable logic of employing a basically civilian population to combat well-armed guerrillas recently took three Ashaninka leaders on a first-ever visit to the capital to plead with armed forces' chiefs for more sophisticated weaponry. "We've proved our effectiveness against terrorists," says Ashaninka defence secretary "Oscar", "but now we need modern guns like they have."



Guatemalan Indian leader Rigoberta Menchu, accepting the 1992 Nobel Peace Prize yesterday, called for international help to end her country's guerrilla war and eradicate human rights abuses, Reuter reports from Oslo.

Accepting the gold Nobel medal and a diploma at a ceremony at Oslo's City Hall, she urged greater efforts to stamp out racism and discrimination against all indigenous peoples.

Talks between left-wing Guatemalan guerrillas and the government of President Jorge Serrano on ending a 30-year war in which perhaps 100,000 people have been killed have been deadlocked for months.

Ms Menchu, a Maya Indian, said other countries should bring pressure for a joint accord on human rights as a first step towards peace in her country.

Peru's Ashaninka population totals maybe 100,000 – estimates are, even by Peruvian standards, unreliable. At least a quarter of these live in the Pichis. They existed until three years ago as self-sufficient farmers, the women cultivating cassava and maize and spinning locally-grown cotton into rough but serviceable cloth while their menfolk hunted and fished.

Even though Peru's two main guerrilla groups, Sendero Luminoso and MRTA, have suffered recent heavy blows, the Ashaninkas remain a target.

The pro-Cuban MRTA's recent strategy has focused on peacemaking. Conciliatory bands stop vehicles on the road to Puerto Bermudez to give "consciousness-raising" chats. The guerrillas' criticism of government economic policy and advocacy of investment in local agro-industry is generally well-received.

For Sendero Luminoso, the Ashaninkas have provided a valuable fighting resource. In the past few years, Sendero columns have been entering native communities in the central jungle demanding "quotas" of youngsters as recruits – refusal is punishable by death and, though fewer in number since the capture of guerrilla leader Abimael Guzman, massacres still occur.

Some Ashaninkas are lured to join the guerrillas by promises of good pay or guns – which rarely materialise. Their captors employ them as cannon-fodder, and they fight with bow and arrow alone. Ashaninkas wives and children, often press-ganged with their men, become the guerrillas' slaves, obliged to forage and cook.

Joint operations in the central jungle involving Ashaninkas and government counter-subversive troops are now commonplace. And the ensuing battles often pit Ashaninkas against members of their own tribe. One special ops major estimates that half the Sendero subversives his patrols encounter are Ashaninkas.

The subversives make full use of their native collaborators' jungle lore, he says – the area is pitted with man-traps, deep holes covered with leaves and grass to conceal sharpened hardwood stakes smeared with excrement. Wounds, if not fatal, quickly fester and many patrols must return to base, mission unaccomplished, to seek medical help for unwary victims.

Now the Pichis valley looks set to gain further unwanted significance in the internal Peruvian drugs-and-terrorism cycle. Coca growers are being squeezed out of the Huallaga valley by escalating violence, stepped-up government action against the illegal cocaine trade (the Peruvian air force has finally taken control over nine provincial airports in the zone) and the mystery fungus which has decimated crops around the traditional coca-trading heartland of Uchiza. Hundreds are already bringing their knowledge and coca-processing skills to the northern end of the Pichis valley.

If the Pichis, abandoned like so many other areas of Peru by a bankrupt state, becomes a new cocaine-processing centre, then the Ashaninkas face the unhappy prospect of continuing to serve as pawns in a power struggle which has little relevance to their lives.

Mexican airport rights for sale next year

By Damian Fraser in Mexico City

THE SALE of concessions to run Mexico's 61 airports will go ahead next year, with the airports grouped together in three or four packets, according to reports in the newspaper El Economista.

Each packet will comprise profitable and loss-making airports and one of the big airports of Guadalajara, Mexico City, Monterrey or Cancun.

The state-owned company Airports and Auxiliary Services will be handed over to the Finance Ministry by February next year. Several Mexican and foreign investors – including the Dutch airport Schiphol, and the Mexican Grupo Industrial Hakim – are interested in bidding for the packets, according to the report.

Mexico's airports are expected to handle 25m passengers this year, of whom 10m will be international travellers. Of the 61 airports, around 12 are responsible for 90 per cent of the passengers. The government's aim is to use these generally profitable airports, to attract private investors to manage the smaller, often loss-making airports.

The airport privatisations are part of an ambitious programme to hand over responsibility for investing in Mexico's transport infrastructure to the private sector. The government has awarded concessions to the private sector to build around 3,500km of toll roads, and passed laws to encourage the private sector to invest in the water system.

On Wednesday, the Mexican Senate passed a law which will facilitate private-sector investment in the electricity sector. The law will enable private concerns to build and own electricity plants, but they will have to sell electricity to the state-owned Commission of Federal Electricity.

- Petroleos Mexicanos (Pemex), Mexico's state oil company, has appointed JP Morgan, US investment bank, to advise it in privatising some of its secondary petrochemical plants. JP Morgan will advise Pemex on the valuation of the plants, the structure and promotion of the sales.

Sex-case senator vows to stay on

By Jurek Martin in Washington

SENATOR Bob Packwood, the veteran Republican from Oregon, yesterday said he intended to stay on in the Senate in spite of charges that he had engaged in a pattern of sexual harassment towards women for 20 years.

He refused to discuss any of the dozen and more incidents of which he has been accused. But he apologised for behaviour which he said "was not just inappropriate or boorish, but just plain wrong".

Mr Packwood conceded that "the bonds of trust" linking him and the people of Oregon had been badly strained. He was narrowly returned for a new six-year term last month before the Washington Post published an article detailing the charges against him. He pledged to rebuild that trust and said that his actions had been "out of synch" with a long political career in which he had consistently practised "gender neutral" policies.

His determination to stay in office may yet be tested further. The Senate ethics committee is to hold hearings in the New Year on his case, which has attracted wide public attention. In addition, Oregon has liberal recall statutes, which could lead to him facing a special election.

Two other senators, Mr David Durenberger from Minnesota and Mr Daniel Inouye from Hawaii, have also faced recent allegations of sexual harassment.

Some women's groups have demanded that Mr Packwood stand down.

Brady bows out with white paper on tax

By George Graham in Washington

US TREASURY secretary Nicholas Brady, in a parting shot before the arrival of a Democratic administration, has issued a white paper calling for a radical overhaul of the US tax system.

His proposals include lifting the income tax threshold to remove more than half of all individual taxpayers from the income tax net, and creating a form of VAT on businesses.

Mr Brady also suggests radically simplifying the rules for business taxpayers, reforming the taxation of multinationals and eliminating double taxation of corporate profits distributed to shareholders.

In a speech at Columbia University Business School in New York, he said the US tax system needed this radical treatment in order to remove its bias against savings. "Rather than continuing to rearrange the deck chairs on a sinking ship, the keel of our tax system should be raised and completely overhauled," he said.

Lamont rules out early UK rate cut

By Emma Tucker and Ivor Owen

MR NORMAN Lamont, chancellor, yesterday ruled out an early cut in UK base rates after a Treasury report noted flickers of economic recovery.

In the first of its monthly monetary reports, the Treasury *highlighted* a string of positive signs on the economy, including stronger retail sales and money supply growth, but said these stood in contrast to depressed consumer and business confidence.

The report, part of an initiative to remove some of the secrecy surrounding economic policy making, said consumer spending showed no signs of weakening following sustained growth in the money supply since July.

Speaking after the report was released, Mr Lamont said it was right to be cautious on interest rates while the economy was showing "encouraging signs", but warned against over-optimism. "It is always extremely difficult to spot the turning-point and we have had some false dawns before, as the world well knows," he said. "We have seen narrow money move to the top of the target range and I think it is right to be cautious."

The report pointed to upwards trends in retail sales, car registrations, exports and imports but also highlighted less promising signals. Unemployment would continue to rise for the near future and there was still no sign of a recovery in the housing market.

Although the report drew no conclusions on whether the economy was recovering, Mr Lamont said there was "no doubt" the country was benefiting from the recent reduction in interest rates. The full effect of the cuts on mortgage interest rates would become apparent in January when the reduced charges began to apply for owner-occupiers whose repayments changed only on an annual basis.

Mr Lamont was enthusiastic about prospects for UK exports to the US. Emphasising that recovery was "strongly under way," in the US, he pointed out that a bigger proportion of British exports went to that market than those of any other EC country.

Mr Gordon Brown, shadow chancellor, said: "Buried in the Treasury's new report is the admission that unemployment is rising and the property market still declining."

Economists, who had been hoping for more commentary and analysis, said they were disappointed with the report. "It doesn't really get us any closer to Treasury thinking," said Mr Roger Bootle, chief economist at Greenwell Montagu.

Others were surprised at Mr Lamont's caution on interest rates. "Had the Treasury suggested that their inflation target was under threat, or that prospects for growth have improved dramatically, then this would cast doubt on the scope for further rate cuts. They did not say that," said Mr Michael Saunders, UK economist at Salomon Brothers.

Funding withdrawn from union ballots

THE government yesterday removed another plank of state support from trade unionism by announcing the withdrawal of financial aid for secret ballots and trade union training, writes David Goodhart.

Although the sums of money are not large – unions received £4m last year for ballots and £2m for training – the announcement is another blow to union hopes of opening a dialogue with the government and re-establishing some national influence.

Although Mrs Gillian Shephard, employment secretary, has spoken of the "war" with the unions being at an end, the government has continued taking the axe to union-supported institutions such as the former National Economic Development Council.

The employment bill, likely to become law early next year, continues that policy.

It proposes to abolish Wages Councils, which set minimum wages for 2.5m workers and will also abolish the duty of Acas, the government conciliation service, to encourage the extension of collective bargaining.

City faces insurance blow from terrorism

By Richard Lapper

UP TO A third of property in the City of London could be without insurance protection against terrorist attack within weeks it emerged yesterday.

The Corporation of London, which owns between a quarter and a third of all property in the City, said it will be unable to obtain cover for terrorism after its commercial insurance policy expires later this month.

"The impact could be devastating," said Mr Bernard Harty, chamberlain at the corporation, the city's local *authority*.

But Mr Harty said that he had been hopeful that some protection could be obtained – even though insurers announced in November that they were unlikely to cover bomb and other terrorist damage in 1993.

The corporation's insurers told him yesterday, however, that their own "reinsurance market had evaporated" and that cover would therefore not be available.

News of the corporation's problems emerged amid indications of stalemate in negotiations between the insurance industry and government over the issue.

So far the government has resisted demands from the Association of British Insurers (ABI), the industry's trade association, that it extend the arrangements currently in force in Northern Ireland to the mainland in the wake of the IRA's current bombing campaign.

Over the last 20 years the authorities have paid out over £600m to the victims of bomb damage in the province.

"It would be quite wrong for insurers to underwrite a risk which they cannot adequately lay off. This is a political risk and not something that business should be expected to pay for by itself," said Mr Mike Jones, ABI chief executive.

To complicate matters the ABI has dismissed efforts of insurance brokers and industrial risk managers to find a compromise solution, which might be more appealing to the government.

The Association of Insurance *and Risk Managers* in Industry and Commerce (Airmic), which represents risk managers at over 300 UK companies, has proposed the formation of terrorism insurance pool financed jointly by industry and insurers and reinsured by the government. *Mr Jones said the* idea was "severely flawed".

● Ten people were injured yesterday as two bombs exploded in Wood Green Shopping City, a north London shopping centre. Commander David Tucker, head of Scotland Yard's anti-terrorist branch, said: "I have no doubt this is the latest in the IRA mainland campaign."

Coal is most expensive fuel for generators says watchdog

By David Lascelles and Deborah Hargreaves

PROFESSOR Stephen Littlechild, the electricity regulator, provoked a storm of criticism yesterday with publication of a report which concluded that coal was the *most expensive fuel for power* generation.

The report, deliberately brought forward to coincide with the debate about the future of coal, marks a serious setback for the coal lobby as it fights the threat from competing fuels, mainly gas. But its main conclusions were immediately rejected by the power generation industry.

Mr Colin Webster, commercial director of National Power, said he was "utterly amazed" by Prof Littlechild's findings, which he described as "a nonsense and tendentious. "We believe he has done his calculations quite wrongly".

These views were echoed by Mr Ed Wallis, chief executive of PowerGen, the second largest generator. He sent a letter to Prof Littlechild accusing him of putting together a rushed report which failed to reflect the true position of the industry. "He seems to have conducted an analysis based on a wide margin of error," said PowerGen.

British Coal, which has *claimed that it is being* unfairly squeezed out of the market by the "dash for gas", said: "It has to be of concern to the regulator that a large generation company is questioning his analysis."

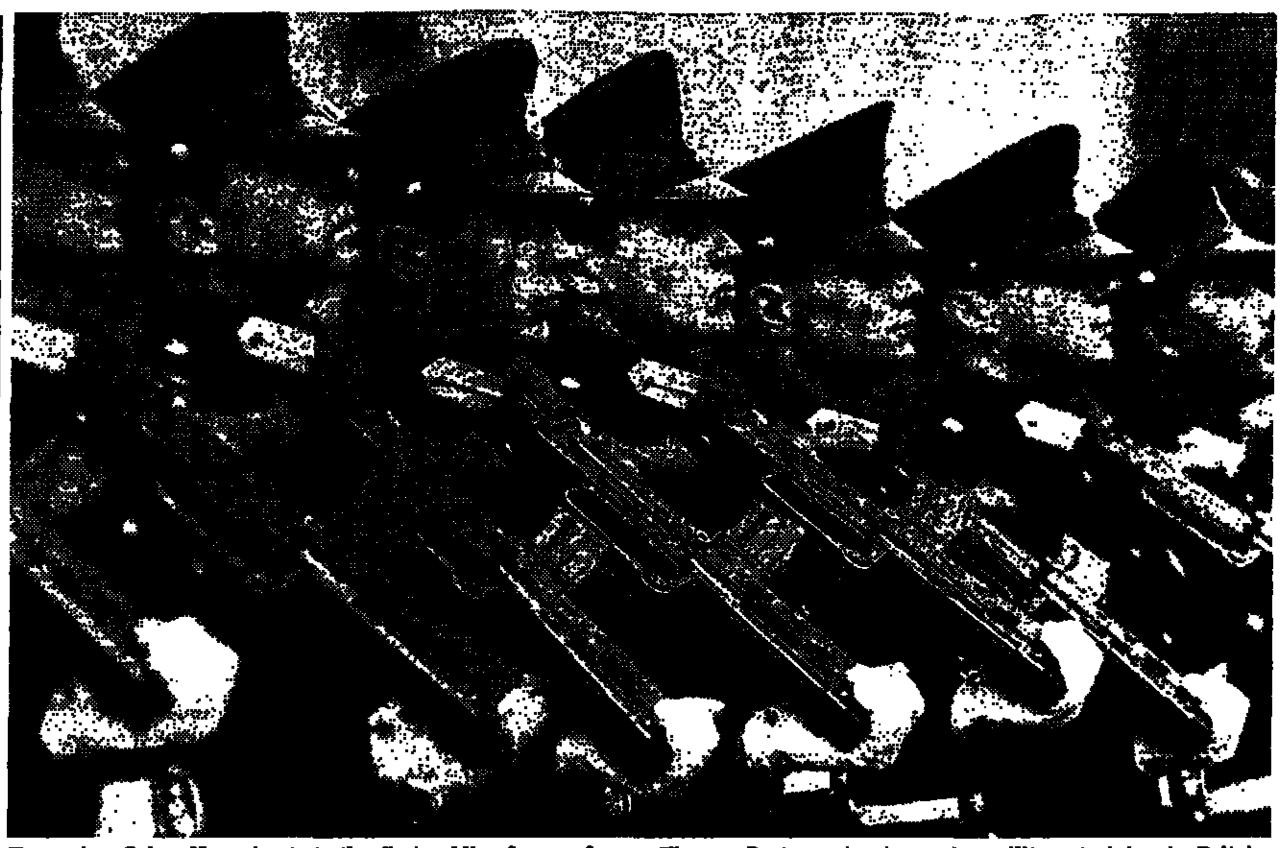
The Department of Trade, which is reviewing energy policy, said it would take account of Prof Littlechild's conclusions but declined any detailed comment.

Prof Littlechild's main finding was that electricity companies had not breached their duty to buy electricity as economically as possible in signing up for new gas-based deals. But to reach this conclusion he had to calculate the relative contract price of different fuels. He gave these yesterday as 3.2p per kiloWatt hour for coal, 3p for nuclear and between 2.7p and 3p for gas. National Power said the correct figure for coal was 2.72p.

Prof Littlechild received a welcome for his report from the electricity distribution industry, whose members were relieved by his conclusion that *they had purchased power eco*nomically, and that the "dash for gas" was acceptable.

Gas producers supported the report as evidence that the UK's gas lobby is beginning to be heard. "Frankly, it's very helpful," said Mr Tony Craven-Walker, chief executive of Monument Oil and Gas. "It's good to see someone standing up for gas." Monument is involved in a £2bn project to develop four oil and gas fields in the Liverpool Bay area which is dependent on PowerGen getting approval for its Connah's Quay gas-fired power station.

British Gas's reaction to the report was low key. "This doesn't change anything we've said in the past," it said, we'll look forward to further findings at the end of January."



Hungarian Gabor Nagy (centre), the first soldier from a former Warsaw Pact country to receive military training in Britain, rehearses at the Royal Military Academy, Sandhurst, for the sovereign's parade. About 15 per cent of the officer cadets are from overseas and soldiers from 18 countries will graduate at the parade today Photograph by Glyn Genin

Industry panel likely to give downbeat forecast

By Peter Marsh, Economics Staff

THE Treasury is expected today to receive a downbeat view about growth next year from a special panel of industry representatives.

The group brings together senior Treasury officials with about 10 people from business, together with a top civil servant from the Department of Trade and Industry. It adds up to an intriguing experiment by the Treasury in trying to gain economic insights by mixing the often highly diverse cultures of Whitehall and the business world.

The panel includes the chief economists of ICI, GKN, BP and RTZ – four of Britain's biggest companies – as well as a representative from one of Britain's biggest suppliers of double glazing.

The Treasury's economics prospects group was set up earlier this year to strengthen the department's contacts with industry and help improve the accuracy of the Treasury's forecasting. It is separate from another Treasury panel – also named this week – which is also concerned with economic projections but which mainly comprises economists from specialist forecasting groups.

Mr Kevin Mahoney, managing director of Caradon Everest, the double-glazing subsidiary of the MB-Caradon building products group, and a panel member, said the meetings were a useful step to improve the dialogue between Whitehall and the business world. He said Treasury officials were "trying hard to learn the language" of people who work in industry.

Also expected at today's meeting is Mr Ivan Bradbury, chairman of Interconnection Systems, a manufacturer of printed circuit boards based in South Shields, near Newcastle-upon-Tyne, and Mr John Duff, strategy and business development director at the UK subsidiary of IBM, the international computer company.

The economic prospects group is part of a broad effort by the Treasury to develop more open approach to policy-making.

Heathrow rail talks stall

By Richard Tomkins, Transport Correspondent

TOP-LEVEL talks at the Department of Transport failed to resolve an impasse over funding the £300m Heathrow Express project yesterday, but further meetings are planned in an attempt to thrash out a compromise. No dates have been fixed.

Plans for the 16-mile rail link between Heathrow airport and central London are threatened by a *bitter dispute* between British Rail and BAA, the airports group, over who is responsible for undermining the project's viability.

BAA said British Rail was asking too high a price for the use of its tracks into Paddington station. British Rail said the line will boost BAA's profits at Heathrow and the company should subsidise it.

The opening of the line was originally due in 1994, but has already slipped to 1997 and could be delayed further.

● The row over new pay and *conditions for British Airways* staff based at Gatwick continued yesterday.

Unions said they would ballot members because staff face pay cuts averaging 25 per cent or redeployment within the airline, following BA's acquisition *of Dan Air*.

BA said talks were still continuing and that ground staff had been offered a 20 per cent cut with a lump sum in compensation of up to £14,500, or could remain on their existing scales.

Cabin crew who refused the pay cuts could transfer to flights out of Heathrow.

Britain in brief

Nissan pay deal covers 5,000 staff

Nissan, the Japanese automotive company, has reached a two-year pay and employment deal with its 5,000 staff at its north-east England plant at Sunderland and central England engineering centre at Cranfield.

The deal is the first significant private sector pay rise agreed *since the government* announced a 1.5 per cent pay ceiling for the public sector.

The award, effective from January 1993, will raise salaries by four per cent in the first year and 3.5 per cent in the second. The deal at Nissan will give manufacturing staff a basic wage of £15,382. On a straight pay basis Nissan will not be at the top of the pay scale for car workers but its employee package provides several extra benefits including private health care.

Warning over health law

Business bosses who flagrantly flout health and safety law could be banned from being company directors and face heavy fines, the Health and Safety Executive said yesterday.

Manx BCCI payments start

Depositors in the Isle of Man branch of BCCI will start receiving payments on Tuesday under the island's compensation scheme, it was announced.

Depositors whose claims have been verified as eligible are entitled to compensation equal to 75 per cent of their deposit, subject to a maximum payment of £15,000 per depositor. About 3,500 depositors have filed claims.

The scheme is funded by contributions from Manx-based banks and administered by the island's Financial Supervision Commission. The banks make their contributions to the fund on an annual basis so the compensation will be paid in instalments when the fund has sufficient money.

Clinton team to meet UK union

Key members of President-elect Bill Clinton's transition team will be visiting London next month for an economic policy conference organised by the Transport and General Workers Union.

The advisers include Mr Bob Boorstin, deputy communica*tions director*, Mr Robert Kuttner, a senior economic policy adviser, and Ms Stephanie Soline, political adviser.

Ownership of shares limited

The government's privatisation campaign has failed to encourage wider share ownership among Britons. A survey for ProShare, a body that promotes share ownership, found that only 200,000 privatisation buyers moved on to purchase other quoted stocks. The survey also found a decline in the total number of shareholders in Britain.

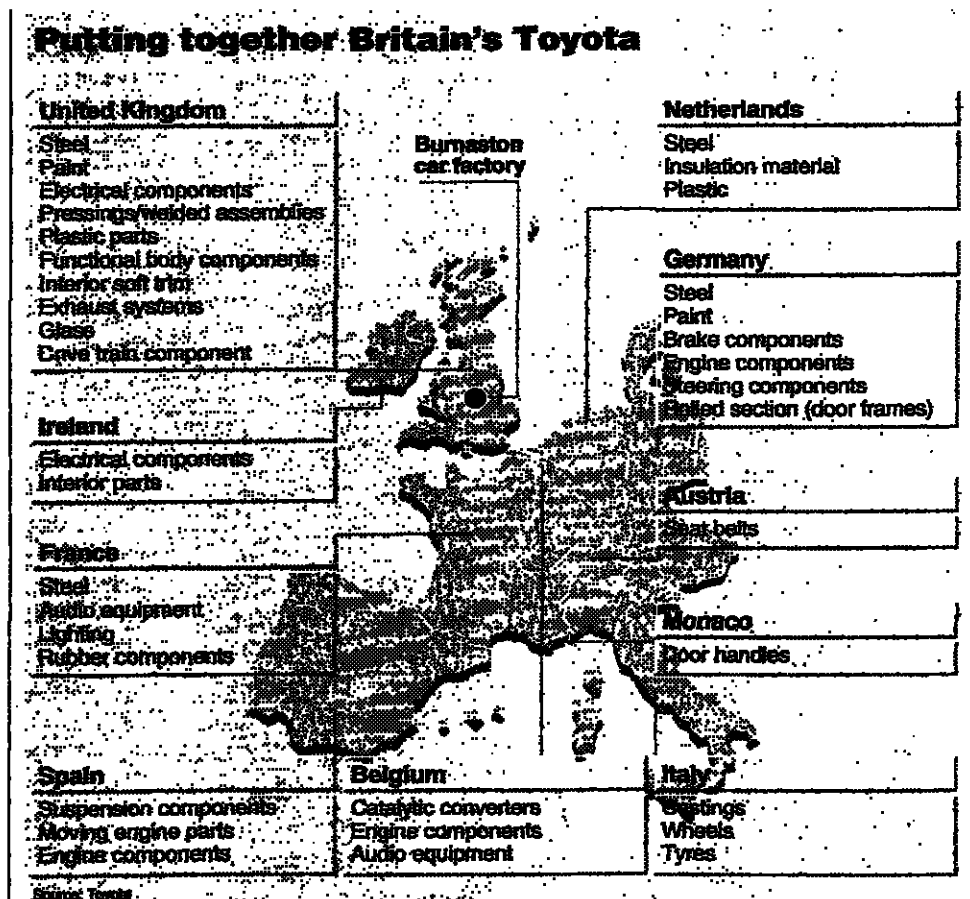
Cheques chart sales stability

Retail spending during the run-up to Christmas is showing more stability than last year, according to Transax, the Birmingham-based cheque guarantee organisation.

Layard seeks training code

The training system in the UK is a formula for national decline and a Training Reform Act is urgently required, Professor Richard Layard of the London School of Economics claimed.

Putting together Britain's Toyota



Source: Toyota

Toyota reveals names of key European car parts suppliers

By John Griffiths

TOYOTA, Japan's largest car maker whose UK factory near Derby goes on stream next week, will be spending £100m a year with parts suppliers within a 50 mile radius of the plant as soon as output hits 100,000 cars a year, it said yesterday.

The extent of the planned boost to the local economy surrounding the £700m facility at Burnaston was disclosed as the identity of some of the key UK and Continental European component suppliers to the venture became known.

Hitherto, Toyota has been reluctant to name its principal suppliers. Out of a total of 160 UK and *Continental* Europe-based suppliers, around one half are located within the UK. The most prominent among these, it is now known, are British Steel (raw steel supplies), PPG 123 and IDAC (paint), Lucas Industries (electrical components), GKN, Albion Pressed Metal and Camford Engineering (pressings and welded assemblies, and additionally GKN for drive train components), Birkbys Plastics and Plastic Omnium (plastic parts), Rockwell Golde (sunroofs), Tenneco Walker (exhausts), Triplex (glass), Pirelli and Dunlop (tyres).

The components are destined for the Carina E, the upper-medium saloon model which Toyota Motor Manufacturing (UK) will build at Burnaston and for which there is a 60 per cent "local" - European *content* by mid-1993. By mid-1995 Toyota intends to lift local content to 80 per cent.

Mr Bryan Jackson, TMMUK's director of corporate affairs and human resources, said that no increase in the number of European suppliers would be involved in reaching the higher European content.

Leading German suppliers are: Thyssen (steel), Herberts (paint), Alfred Teves (brake components), Gerlach-Werke (engine parts), ZF (steering), Ymos Metallwerke (door frames). Leading French suppliers are Sollac (steel), Philips (audio equipment), Valeo (lighting.). Italian company involved are Teksid (castings), Speedline (wheels) and Michelin (tyres). Successful Spanish-based companies include Iber*ica (suspension parts), Delco* and Robert Boschv (engine parts).

Firms fall short of audit rules

By Andrew Jack

MANY accountancy firms are failing to comply with the audit requirements introduced last year, the first annual report of their self-regulatory body shows.

Only 11 of the 158 audit firms so far randomly inspected passed all 13 tests devised by the Department of Trade and Industry and the Joint Monitoring Unit, the regulatory body jointly-owned by the three UK chartered accountancy bodies.

The findings come in a confidential internal report due to be sent today to Mr Michael Heseltine, trade and industry secretary, for consideration by officials before publication next week.

The report stresses that most of the 10,200 registered firms have taken steps to comply with the audit regime introduced in October 1991, and that it is too soon to make a definitive statement on the quality of work carried out. But the Joint Monitoring Unit unearthed widespread failures in systems and procedures which the regulations require, which will fuel criticism of the quality of auditing.

The unit visited 291 firms in the 12 months to September – in line with its targets – of which 143 were to prepare for registration, to offer training or in response to requests.

Of the remainder, which were randomly selected during April to September, 67 firms were not conducting "cold" or continuous reviews of their audit work as required by the regulations.

The audit procedures of 39 were not subject to quality control procedures and 41 had not planned their audits. The unit stressed that these findings could indicate inadequate documentation at least as much as unsatisfactory audits. But it also judged 10 firms not to be independent from their audit clients and identified nine that were not competent.

Granada recruits PW partner

Gerry Robinson, chief executive of Granada who last week confounded the City by returning a 129 per cent increase in profits, has put in place the last element of a senior management reshuffle by bringing in Henry Staunton, (right), a 44-year-old senior audit partner from Price Waterhouse, as his new finance director.

The Staunton appointee is very much in the Robinson mould – relatively young, and with the accountant's training the aggressive new chief executive, who also has an accountancy background, seems to favour. The other major recruit to the board this year was the controversial choice of 35-year-old Charles Allen, an accountant with no television experience, to head Granada TV.

Staunton joined Price Waterhouse from university 22 years ago. While acknowledging the unusualness of the move, Robinson believes that "switching at this stage into commerce from the professions, he will bring a real freshness" – countering any scepticism on that front with a simple "you haven't met him".

He also points out that Staunton, who is currently responsible for the audit of the Granada Leisure division, knows Granada very well, having been involved in a series of projects dating back to the period of the failed Rank bid in 1986.

He replaces Graham Wallace, who had been in the position of finance director for three years, and who has recently been put in charge of Rental, Granada's largest division. "Graham was looking for a job in line management and clearly the opportunity to run the largest division – and a very financially-driven business – was very attractive," Robinson explains.

Finance moves

■ Sreten Bakovljev has stepped down from the CITY MERCHANTS HIGH YIELD TRUST in order to concentrate on his other commitments within INVESCO MIM Management.

■ *Denis Long has been* appointed general manager of Ak International Bank; he moves from Credit Lyonnais.

■ Kenneth Quinn has been appointed finance director of WISE SPEKE (HOLDINGS); he moved from Exco International.

■ *Richard Rhodes, formerly* head of fixed interest division at Warburg Securities, has been appointed to the board of BRITANNIA BUILDING SOCIETY.

■ Tony Richards, formerly head of gross funds division at Quilter Goodison, has been appointed a director of HENDERSON CROSTHWAITE.

■ *Sandy Geddes, formerly* general manager of Philadelphia National Bank's London branch, has been appointed director, banking of *REA BROTHERS.*

■ Mark Hedderwick, md of Adam & Company Investment Management, has been appointed a director of ADAM & COMPANY GROUP.

■ Martin Rose, a former senior legal adviser to The Securities Association and latterly with the corporate department of Linklaters and Paines, has *been appointed director in* charge of compliance at SMITH & WILLIAMSON.

Two of the UK's biggest actuarial firms have announced the appointment of new senior partners. Duncan Ferguson, 50, (left) becomes senior partner at Bacon & Woodrow at the end of 1993, taking over from Colin Lever. Ferguson is head of the group's insurance division and a member of its management group. Ferguson worked with Metropolitan Life in South Africa and Eagle Star in the UK before joining Bacon & Woodrow in 1988. He is vice-president of the Institute of Actuaries.

Howard Gracey will be the new senior partner at R Watson & *Sons from May 1993.* Gracey, *now 57, has* been a partner at Watson since 1971 and is currently chairman of the Association of Consulting Actuaries. Recently he has been head of the firm's pension practice and is a past president of the Pensions Management Institute.

JFB chairman

Johnson & Firth Brown, the metals and engineering group, yesterday announced the appointment of Martin Llowarch, 57-year-old former chief executive of British Steel, as non-executive chairman. Described by colleagues as "easy to get along with – but tough", Llowarch surrendered his position as Sir Bob Scholey's *heir apparent* last year, following reported differences over strategy. JFB, which is facing severe pressure on margins, will offer Llowarch the opportunity to use his skills as a ruthless cost-cutter. "When I go to sleep at night," he once said, "the last word I say to myself is 'competitiveness'."

Llowarch is also non-executive *chairman of* Transport Development Group, and a non-executive director of Abbey National and Hickson International.

Harding and Chapman join L&G

Sir Christopher Harding, the former chairman of British Nuclear Fuels and long-time Hanson director, continues to add to his impressive display of non-executive directorships. Only a week after joining the *board of the General Electric* Company, he has been made a non-executive director of Legal & General.

Sir Christopher, who resigned from BNFL in June, is one of two new L&G non-executive directors. The other, Honor Chapman (below), is a partner in Jones Lang Wootton, the chartered surveyors, and governor of the Centre for Economic Policy Research.

Not surprisingly for a big institutional investor active in the corporate governance debate, L&G no longer resorts to the old boy network to fill its boardroom. It hired head-*hunters Woodhead Mann* to draw up a list of suitable candidates and then they were vetted by a selection committee of L&G's non-executive directors.

The insurer says that the choice of an industrialist and a property expert was intended to maintain the balance on the board ahead of the retirement of other non-execs. Chapman, who began her career in the London County Council valuation department, is chairman of Jones Lang Wootton Consulting and Research and has been in the property business for over 25 years. Sir Christopher Harding, who made his name managing Lord Hanson's family transport business, is a director of Slough Estates, Newarthill, English China Clays, and ProShare (UK) as well as Hanson and GEC.

Creative collapse

Vanessa Houlder on how numbers can mislead

In the search for scapegoats for the property slump, accountants are among the prime suspects. Creative accountancy allegedly contributed to the sector's collapse which, to add insult to injury, is now generating substantial fees for *accountants' receivership* practices.

This argument should not be taken too far. It was, after all, the banks – which base their lending decisions on far more than published accounts – which financed the sector's reckless expansion in the late 1980s. And the misinterpretation of accounts often reflects as badly on their readers as on their creators.

Nonetheless, the use of creative – though entirely legal – accounting techniques often confused investors. Moreover, this creative approach helped delude companies about their true exposure to a possible downturn and encouraged them to take greater risks. Property group Rosehaugh was one of the most commonly associated with off-balance-sheet finance – the removal of assets and liabilities from the balance-sheet to reduce the ostensible gearing; Rosehaugh went into administration last week.

Another recent example of how numbers can mislead was provided by Trafalgar House, the property-to-shipping conglomerate. Trafalgar House had to restate its 1990-91 pre-tax profits of £122.4m as a loss of £38.5m. This followed a ruling by the Financial Reporting Review Panel, the accounting watchdog, that property write-downs should be taken through the profit and loss account rather than reserves.

While the sector has largely faced up to the slump in values of the past three years, there is still much concern among investors about non-property companies with heavy property exposures which have not yet reflected the full fall in values in their assets. When County NatWest, the investment house, conducted a survey of these companies last summer, it concluded that many had "yet to face up to reality".

The recurring themes of the accounting treatment of property are off-balance-sheet finance and changes in the treatment of assets and capitalised interest (whereby interest payments on a development are classified as an asset on the balance-sheet, rather than an expense in the profit and loss account).

The significance of capitalised interest came to light with the emergence of the star developers of the 1980s, many of which have since collapsed, such as *Broadwell Land*, Rockfort, Citygrove and Rush & Tompkins.

These companies' apparently robust profits appear less impressive when the capitalised interest is brought back *into the profit and loss* account, revealing the company's poor ability to service its debt.

Rosehaugh provides another illustration of the ambiguity of reported profits. In its accounts for 1989-90, Rosehaugh included £23.5m of interest "receivable" from its associates. In fact, much of the interest was not received in cash and was later waived.

The problems of interpreting *figures that involve capitalised* interest pale beside the difficulties created by off-balance-sheet finance. Indeed, capitalisation of interest only becomes a real problem for readers of accounts when its extent is obscured within an off-balance-sheet subsidiary.

Rosehaugh's extensive use of *off-balance-sheet finance* gave it a reputation for obfuscation. "However hard one pores over yesterday's results, there are few financial things an outsider can say with relative confidence about Rosehaugh," was the view of the FT's Lex column in 1989 – just months before Rosehaugh shocked the City by announcing a rescue rights issue.

The 'creative approach' helped delude companies about their true exposure to a possible downturn

But off-balance-sheet finance was very attractive because it allowed relatively small companies to undertake ambitious ventures. In 1990 quoted companies ran up an estimated £7.1bn in off-balance-sheet debt, according to Drivers Jonas, chartered surveyors.

The justification for excluding *this debt from* a company's gearing figure was that interest is usually rolled up and only paid when the a property is completed and sold. Moreover, the off-balance-sheet debt was assumed to be "non-recourse", in other words that the parent company took no responsibility for the loan if it turned bad.

But both these justifications wore thin with the property slump in the late-1980s. As values tumbled, off-balance-sheet subsidiaries became increasingly unable to repay their debts. And many parent companies found they could not avoid the responsibility of "non-recourse" loans.

Rush & Tompkins is perhaps *the best example of a company* that disguised problems arising from off-balance-sheet finance. The company's last set of accounts merely listed its bank borrowings as £25m and mentioned £89m of "non-recourse" or limited recourse banking arrangements. When Rush & Tompkins went into receivership in May 1990 it had debts of *more than £300m.*

The frequent absence of annual valuations or when assets are valued by directors rather than independent valuers is another problem arising from the treatment of property in accounts. This has been a particular concern in the building sector, where hundreds of millions of pounds has been wiped off the value of land over the past three years. Developers "are just scratching the surface of their problems," said County NatWest.

New accounting standards that will be introduced early *next year will tighten up the* treatment of property in accounts. But to many investors, this is too little, too late.

LEGAL NOTICES

NOTICE OF MEETING OF CREDITORS
THE INSOLVENCY ACT 1986
HIGHLAND INVESTMENTS LIMITED
Company Number: 2217575

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at 81 Cromwell Road, London SW7 5BW on 15th December, 1992 at 11.10 a.m. for the purposes mentioned in Section 99 and 100 of the said Act.

Creditors wishing to vote at the meeting must lodge a proxy, together with a statement of their debt, at the offices of Robson Rhodes, Bryanston Court, Selden Hill, Hemel Hempstead, Hertfordshire HP2 4TN not later than 12.00 hours noon on 14th December, 1992.

A list of the names and addresses of the company's creditors will be available for inspection, free of charge, at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU on the 11th December, 1992 and 14th December, 1992 between the hours of 10.00 and 16.00 hours.

Dated this 7th day of December 1992
Martin Lock, Director

NOTICE OF MEETING OF CREDITORS
THE INSOLVENCY ACT 1986
HIGHLAND PETROCHEMICAL LIMITED
Company Number: 2369383

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at 81 Cromwell Road, London SW7 5BW on 15th December, 1992 at 11.10 a.m. for the purposes mentioned in Section 99 and 100 of the said Act.

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Dated this 7th day of December 1992
Martin Lock, Director

NOTICE OF MEETING OF CREDITORS
THE INSOLVENCY ACT 1986
JETWAVE LIMITED
Company Number: 1758071

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at 81 Cromwell Road, London SW7 5BW on 15th December, 1992 at 11.10 a.m. for the purposes mentioned in Section 99 and 100 of the said Act.

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Dated this 7th day of December 1992
Martin Lock, Director

NOTICE OF MEETING OF CREDITORS
THE INSOLVENCY ACT 1986
MATCHCHARM LIMITED
Company Number: SC 105613

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at 81 Cromwell Road, London SW7 5BW on 15th December, 1992 at 11.10 a.m. for the purposes mentioned in Section 99 and 100 of the said Act.

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Dated this 7th day of December 1992
Martin Lock, Director

NOTICE OF MEETING OF CREDITORS
THE INSOLVENCY ACT 1986
HIGHLAND NAVIGATION LIMITED
Company Number: 2312982

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at 81 Cromwell Road, London SW7 5BW on 15th December, 1992 at 11.10 a.m. for the purposes mentioned in Section 99 and 100 of the said Act.

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Dated this 7th day of December 1992
Martin Lock, Director

NOTICE OF MEETING OF CREDITORS
THE INSOLVENCY ACT 1986
DSA CONSULTANTS LIMITED
Company Number: 1945807

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at 81 Cromwell Road, London SW7 5BW on 15th December, 1992 at 11.30 a.m. for the purposes mentioned in Section 99 and 100 of the said Act.

Creditors wishing to vote at the meeting must lodge a proxy, together with a statement of their debt, at the offices of Robson Rhodes, Bryanston Court, Selden Hill, Hemel Hempstead, Hertfordshire HP2 4TN not later than 12.00 hours noon on 14th December, 1992.

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Dated this 7th day of December 1992
Martin Lock, Director

NOTICE OF MEETING OF CREDITORS
THE INSOLVENCY ACT 1986
HIGHLAND AIR SERVICES LIMITED
Company Number: 2323116

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at 81 Cromwell Road, London SW7 5BW on 15th December, 1992 at 11.30 a.m. for the purposes mentioned in Section 99 and 100 of the said Act.

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Dated this 7th day of December 1992
Martin Lock, Director

NOTICE OF MEETING OF CREDITORS
THE INSOLVENCY ACT 1986
PADCHARM LIMITED
Company Number: 2341579

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at 81 Cromwell Road, London SW7 5BW on 15th December, 1992 at 11.30 a.m. for the purposes mentioned in Section 99 and 100 of the said Act.

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Dated this 7th day of December 1992
Martin Lock, Director

NOTICE OF MEETING OF CREDITORS
THE INSOLVENCY ACT 1986
HIGHLAND NAVIGATION HOLDINGS LIMITED
Company Number: 2325513

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at 81 Cromwell Road, London SW7 5BW on 15th December, 1992 at 11.45 a.m. for the purposes mentioned in Section 99 and 100 of the said Act.

Creditors wishing to vote at the meeting must lodge a proxy, together with a statement of their debt, at the offices of Robson Rhodes, Bryanston Court, Selden Hill, Hemel Hempstead, Hertfordshire HP2 4TN not later than 12.00 hours noon on 14th December, 1992.

A list of the names and addresses of the company's creditors will be available for inspection, free of charge, at the offices of Robson Rhodes, 186 City Road, London EC1V 2NU on the 11th December, 1992 and 14th December, 1992 between the hours of 10.00 and 16.00 hours.

Dated this 7th day of December 1992
Martin Lock, Director

NOTICE OF MEETING OF CREDITORS
THE INSOLVENCY ACT 1986
THAMES INDUSTRIAL ESTATE LIMITED
Company Number: 2176547

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act 1986 that a meeting of creditors will be held at 81 Cromwell Road, London SW7 5BW on 15th December, 1992 at 12.20 p.m. for the purposes mentioned in Section 99 and 100 of the said Act.

Creditors wishing to vote at the meeting must lodge a proxy, together with a statement of their debt, at the offices of Robson Rhodes, Bryanston Court, Selden Hill, Hemel Hempstead, Hertfordshire HP2 4TN not later than 12.00 hours noon on 14th December, 1992.

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Dated this 7th day of December 1992
Martin Lock, Director

COMMERCIAL PROPERTY

An ambitious plan aims to make tourism the country's number one industry; **Page 4**

While the new administration's economic reforms have had some success, the foreign debt burden, proposed EC trade barriers and a fragmented congress mean that Ecuador's way forward will be long and hard. **Sarita Kendall reports**

In for a rough ride

THE government of President Sixto Durán Ballén has moved quickly on its election pledge to modernise the Ecuadorean economy. But as a result, in the four months it has been in power, the administration has been buffeted by dozens of strikes and by protests from squads throwing rocks. It has fumbled to find a coherent political voice and narrowly escaped losing two ministers to a Congress hungry for impeachment.

All of this is standard fare in Ecuadorean politics, but the fact that the government, in which businessmen are spear*heading the programme of* economic reform, was not even granted the normal honeymoon period is an indication of how great a struggle the modernisation process will be.

In spite of the optimism that accompanied the changeover from military to civilian rule in 1979, Ecuador lost ground during the 1980s: income per capita dropped by 7.5 per cent and at the end of the decade some 60 per cent of the population was living in poverty.

The oil boom of the 1970s, administered by the military, had provided new roads, schools, hospitals and power-stations, but the subsequent price slide of crude combined with a heavy foreign debt left the nation stranded in the same inertia as many other Latin American countries.

Most of Ecuador's 11m people are concentrated in the high Andean basins or on the tropical Pacific lowlands. For a country with such a complex climate and geography – ridges and valleys harbour plant and animal species inhabiting only a few square miles – it is surprisingly compact and accessible. Yet the highland-coastal division runs through many aspects of life, fostering rivalries that can undermine governments.

Quito, which was once the northern capital of the Inca empire, houses much of the overblown bureaucracy that *Mr Durán Ballén has promised* to dismember. The 430,000 public sector employees account for over a quarter of employment and the state is so centralised that even the Galapagos regional development institute is located in Quito.

While the Quito-based administration traditionally controls oil income distribution, Guayaquil is Ecuador's business capital and main port. It is also the biggest city, with more than half its 1.6m people packed into vast shanty towns where politicians trade sewerage pipes for votes. The atmosphere is tough and dynamic, the buildings squarely graceless, unlike the settled prettiness of Quito's church cupolas.

Bananas, shrimp and cocoa products (Ecuador's main exports after oil) are shipped *out through the port of Guayaquil* – an enclave where customs inspectors fear to tread. This and other ports are on the government list for modernisation and a switch to a concession system has been proposed.

Geography also dictates presidential formulae: Mr Durán Ballén is the highlander (although actually born in Boston), while vice-president Mr Alberto Dahik represents the coast.

They appear complementary in other ways too. The president's 71 years and consensus-seeking concern is offset by Mr Dahik's young aggressive economic expertise. However, in discussions behind the scenes the president is reportedly no soft-hearted grandfather.

The previous administration – Mr Rodrigo Borja's social democrat government – began to open up the economy and liberalise trade over the past year, but it also bequeathed a significant budget deficit of 7 per cent of gross domestic product.

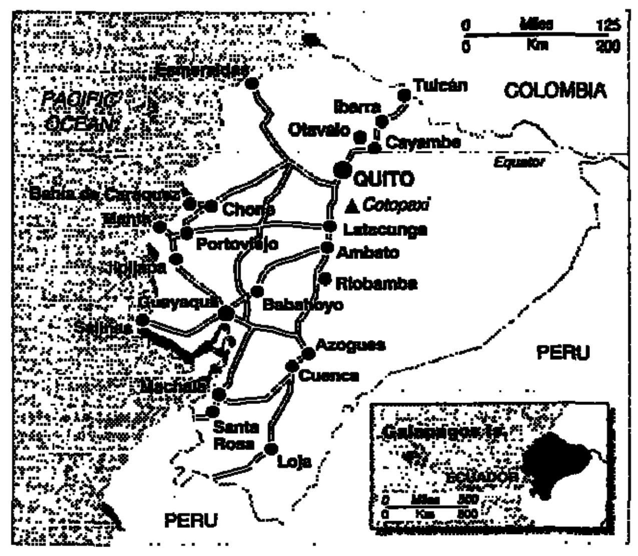
The new administration has launched a predictably unpopular "macroeconomic stabilisation plan" designed to cut the 52 per cent annual inflation rate, control public spending and replenish Ecuador's international reserves, which had fallen to $224m.

At the same time the government has promised a package of structural reforms to reduce *the size of the public sector*, improve services and redirect funds into areas of social priority.

However, to carry through these reforms, which involve privatisation, attracting foreign investment and undoing interminable red tape, the government must cajole a fragmented congress into passing large volumes of legislation.

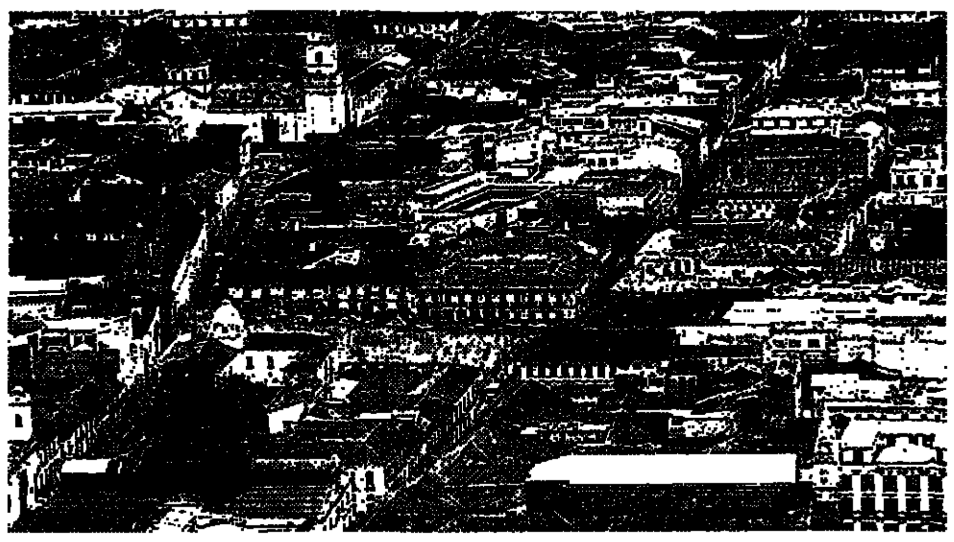
With the two government parties – the president's Republican Union and Mr Dahik's Conservative Party – between them lacking even 25 per cent of the legislature, Mr Durán will have to persuade other right-of-centre groupings to vote for official policy.

He has moved quickly. At the beginning of the four-year term, when future candidates are as yet unconcerned about their electoral image, there is a better chance of getting their backing: Congress passed the first important government-sponsored law – changes in the regulation of the budget – two weeks ago.



Quito's San Augustin monastery (above) and the former colonial district of Quito (below): a legacy of debt and poverty means that success for the four-month-old administration's ambitious modernisation programme will not be achieved easily

The president, as seen by cartoonist Pancho of the Quito newspaper, El Commercio



Many more legal reforms are still to come: these include privatisation, tax (including foreign investment), oil contracts, property rights, the stock exchange and public sector contracting procedures. Mr Dahik says he expects most of these to go through by next August.

But the government is already tackling other problems such as the $12.3bn foreign debt, which includes $3.7bn in arrears. Talks with the commercial banks start this month and Ecuador will be negotiating for a global but realistic solution.

Although the government has a strong economic policy, however, many cabinet members lack political experience. Instead of wooing the public and Congress and stressing the long-term effects of the struc*tural reforms, the government* has floundered in a mass of sometimes contradictory explanations about privatisation, creating uncertainty and exacerbating strikes and protests.

The launching of a development strategy with the emphasis on social measures should help redress the balance – austerity has left the govern*ment little to spend.*

"The priority in social policy is to lower inflation and have *economic growth*," said Mr Pablo Lucio Paredes, general secretary of the National Development Council. "The role of the state will be first to regulate markets and ensure competition, and secondly to have social programmes – for example, health and drinking water services – as well as justice and defence."

However, critics of the path chosen by the government argue that such policies are misguided in a country where more than half the population is outside the market, with low productivity, minimum education and no capacity to save, and the modernised industrial and agricultural sector is over-capitalised, over-protected and extremely inefficient.

Mr Dahik is sanguine. "It may not be the most efficient private sector but it is much better than the state."

Since the relatively benign military dictatorships of the 1970s, the armed forces have maintained an important role in Ecuadorean society. The army has shares in companies ranging from aviation to eco-tourism.

"This began because the army needed certain supplies such as shoes, and also wanted to help industry take off when there was a weak business spirit," said retired general José Gallardo, the minister of defence. "Now we want to strengthen private sharehold*ers – perhaps even privatise* some companies completely – and reorient our resources."

In foreign relations, the government has already taken important steps towards free trade with Colombia and Venezuela and has begun negotiations with Chile. But while it is strengthening regional trade links, Europe and the US are still its main markets. As such, concerns are mounting over proposed EC import barriers to bananas, total exports of which brought in $715m last year.

While a longstanding border problem with Peru eased after talks between the two presidents, guerrillas and drug traffickers have been under pressure in Colombia and Peru, and *moving into frontier areas.*

Continued on Page 4

The stabilisation plan aims to reduce the budget deficit and keep inflation at under 30 per cent

Measures are having some success

THE ECUADOREAN *economy*, which derives nearly half of fiscal income and 45 per cent of export earnings from oil, has been through a few sharp ups and many downs in the past 10 years.

Underlying problems include chronic budget deficits and inflation, deteriorating wages and an increasing concentration of income, low domestic and foreign investment, corruption and inefficiency in the public sector. Successive attempts to stabilise the economy by the past three governments have barely scraped the surface.

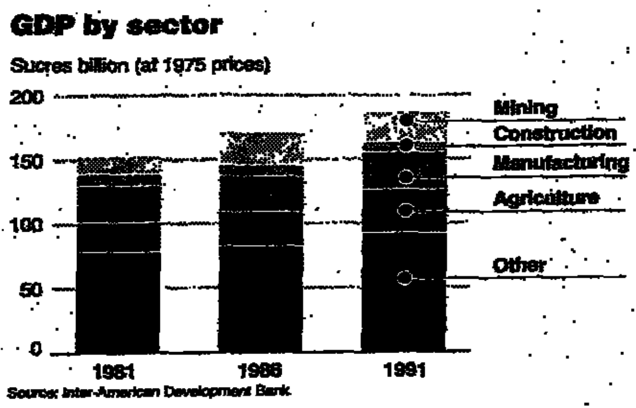
However, the new administration's macroeconomic plan has found favour with bankers and appears to be producing results.

The sucre was initially devalued by 35 per cent and then allowed to float between 1,700 and 2,000 to the dollar, with the central bank intervening to keep it below 2,000. The idea is to boost exports and reduce *expectations of further devaluations*, while allowing an ample margin for price adjustment.

Launched on September 3, the stabilisation plan's measures also included:

- Raising petrol and most other fuel prices by 125 per cent or more;
- Increased electricity tariffs *on a sliding scale varying from* nought to 120 per cent;
- Cuts in state spending;

GDP by sector



Source: Inter-American Development Bank

- Freezing of recruitment in the public sector – a significant saving in a country where new governments normally *addseveral hundred to the* existing number of civil servants in order to pay off political debts.

These and other measures are designed to bring the budget deficit down to a manageable level and keep inflation at under 30 per cent next year.

Although the monthly inflation rate shot up immediately *after the plan was launched*, it fell back to 1 per cent in November, to the relief of economic authorities. International reserves have more than tripled to $800m since September, helped by the fact that importers had stocked up earlier in the year.

However, the immediate *inflationary costs of stabilisation* are clear and the government has so far done little to mitigate them. It will be difficult to keep annual wage increases down to the 30 per cent level.

The next stage of the plan entails extensive restructuring and privatisation and is one of the main elements of the modernisation policy. The public sector is involved in some 170 companies, many of them originally privately owned and propped up by the state when they collapsed.

Although a detailed strategy is still being drawn up, Mr Pablo Lucio Paredes, of the National Development Council, outlines three main areas for privatisation:

- *First, state shares in relatively* small companies such as the National cement works, the Hotel *Colon* and some banks, will be sold through the stock exchange in a matter of months.
- The second group, consisting of medium-sized companies in state hands – for example the Aztra sugar refinery and the Selva Alegre cement plant – are also relatively short-term, uncomplicated cases.
- The third group, the state monopolies, will require special *legislation*. Each case in this group will be handled individually but the government has already made it clear that virtually everything – apart *from a few "strategic" companies* – is on the table.

Communications, oil, electricity, the ports, water provision, the main airline and even the politically controversial Social Security Institute, are included. Nearly all of these organisations need large investments and new technology and some may be broken up into several smaller companies.

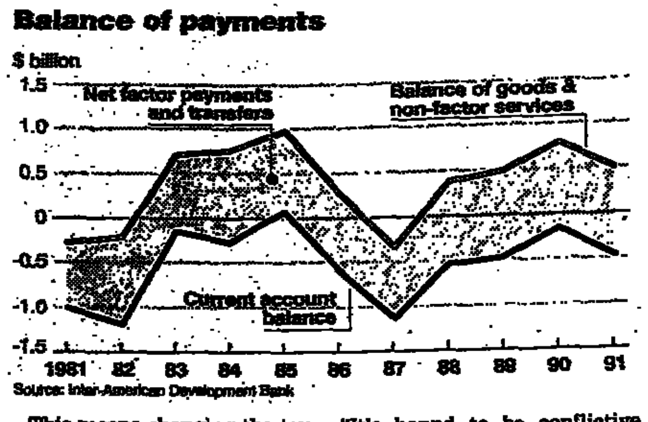
The Quito and Guayaquil stock markets, as yet very *small, could be in for a boom.* "The first phase of privatisation represents companies with $200m-$250m in state shares," said Mr Edison Ortiz, president of the Quito stock exchange. "It is important that all the dealings should be absolutely transparent.

"This will help open up the market to more people. Investors here think stocks are just for the rich. Foreign participation is allowed but it has not developed."

Although foreign investments have remained under $80m a year recently, the privatisation programme is already attracting interest from the US, Japan and the EC.

In principle, the government *plans to offer foreign investors* the same conditions as nationals.

Balance of payments



Source: Inter-American Development Bank

This means changing the tax system, removing restrictions in sectors such as telecommunications and streamlining regulations.

One new area of special interest is mining – although the country has rich gold and other mineral deposits, invasions by prospectors and inadequate legislation have deterred foreign companies.

"When we have the framework and the regulations ready, investment will come," Mr Paredes *said*.

Mr Paredes is less confident about the question of labour: "It's bound to be conflictive. Public employees must share in the privatisation process, there should be training for those who become unemployed ... we must convince people that privatisation is all right."

A National Council for Modernisation has been set up by the government to recommend and carry through the necessary legal reforms.

Its director Mr Gērman Penaherrera, who is also an alternate congressman, says: "Apart from privatisation, we are working to co-ordinate decentralisation, de-bureaucratisation and deregulation.

"There are too many contradictory laws and rules, we need fewer, clearer, ones. Every piece of paper is a potential for corruption."

A new anti-corruption unit is to investigate cases speedily and ensure charges are brought.

The cornerstone of the strategy to rationalise public spending emerged with last month's budget law.

Although it did not go through congress exactly as drafted, the law stops a multitude of special allocations to individual institutions and allows the minister of finance to control outgoings. The government also plans to strike at hidden subsidies, such as long *delays in paying bills for public* services.

The next three months will be crucial, both for the start up of the privatisation programme and for the effects of the stabilisation plan.

Economic growth for 1992 is expected to be around 2.5 per cent and next year's figure may be lower – barely level *with the population growth* rate of 2.2 per cent.

But for the moment the government has made inflation its primary target and, judging by the remarkably quick deceleration in the cost of living, it seems to be having some success in this area.

Sarita Kendall

AGRICULTURE

Banana trade faces an uncertain future

BANANA production, the cornerstone of Ecuador's agriculture, is facing change. Not *only are exports threatened* by European restrictions, but domestic overproduction, the Sigatoka *disease* and *low* per acre productivity will also demand action by producers.

Last year Ecuador produced a record 3.5m tonnes of bananas. The increase over previous years (3m tonnes in 1990 and 2.5m tonnes in 1989) is *largely due to new plantations* started in 1990 and 1991 – when banana prices rose – and which have now come into production. These largely unauthorised plantations are ballooning the supply and depressing prices.

Of great concern to Ecuador is the reform of the European Community's banana import regime with proposals to impose a banana import quota of 2m tonnes next year and tariff on "dollar bananas" imported from exporters from Latin America of up to 70 per cent. Ecuador last year *exported 2.7m tonnes of* bananas worth nearly $800m.

Restrictions would affect a large percentage of Ecuador's banana exports. Approximately 40 per cent of the fruit it produces is sold to the EC.

While the spread of the *Black Sigatoka disease*, which has endangered the tropical fruit for some time, has been halted, it is not likely to be eradicated. Measures introduced by the French Institute of Fruit and Citrus Investigations, part of an aid programme of the French government, have had much success *in combating Sigatoka, but* have not able to eliminate it completely.

The productivity of Ecuador's banana fields is below that of its world competitors. While the productivity in Honduras is 2,800 boxes per hectare *and 3,000 in Costa Rica, Ecuador* merely produces 1,400 boxes per hectare. Yet lower overall costs make Ecuador competitive internationally.

To give producers an incentive while continuing to protect consumers, the government is to implement a *price* reform of the principal agricul*tural goods whose prices have* so far remained fixed.

Supply and demand will determine the prices of sugar, rice, maize, soya, milk and barley within a certain parameter set by the ministry of agriculture. The bottom end of the *price bracket will ensure farmers* a minimum revenue. When prices hit the top end, distributors are allowed to search for cheaper imports on the international market.

The importance of coffee and cacao, which cover nearly a third of the area sown with primary agricultural products, is likely to decrease. Given low prices and an over-supply of coffee on world markets, agriculture minister Mr Mariano Gonzáles Portés has indicated *that some of the coffee cultivations* will eventually have to be replaced with other crops.

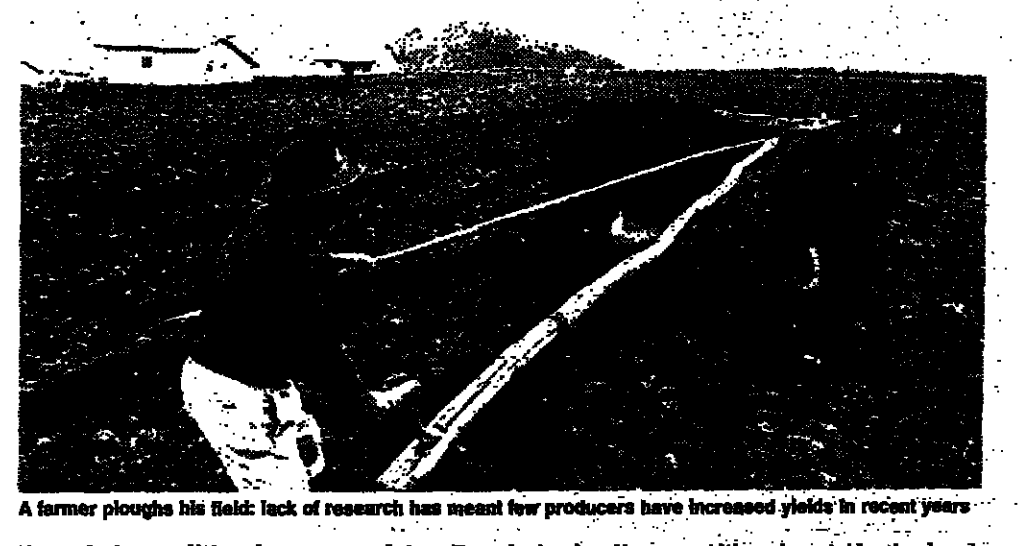
In spite of a sugar cane production of over 3.5m tonnes annually, Ecuador has had to import sugar this year. Producers hope to cover domestic *demand next year but need* considerable credits from the Andean Development Corporation to do so.

Few major crops have seen their production increase significantly recently. One exception is the soya bean; its pro*duction has nearly quadrupled* in the past years and is expected to grow in the future.

One of the reasons producers have not been able to significantly increase the yield of their crops in past years, says Mr Gonzáles, has been the lack of sufficient investment in agricultural research. Only 0.3 per cent of gross domestic *product has gone into agricul*tural research in the past years, he says.

The government plans to reverse that trend and, with the help of the Institute of Agricultural Investigations which became autonomous *only in July, intends to* promote new and higher-yielding agricultural products. INIAP has recently developed a new type of yuca whose yield is three times that of the traditional type when processed into flour and 10 times as high when processed *into starch*.

The institute also engages in other activities, such as giving technical advice to indigenous groups in the central province of Chimborazo on the cultivation of the traditional crop quinua. This cereal, grown by the Incas centuries ago, has a high nutritional value.



A farmer ploughs his field: lack of research has meant few producers have increased yields in recent years

Although a promising crop, the efficient commercialisation of quinua is difficult, says Mr Gonzáles, because of the unfavourable size of land parcels in the areas in which quinua is *grown. Land holdings in the* mountainous Sierra region are much smaller than in the coast and are typically used for subsistence farming.

Thirty per cent of land holdings in the Sierra are classified as small (10 hectares or less), *while 52 per cent are medium* sized (10 to 100 hectares) and only 18 per cent are more than 100 hectares. *Land* holdings in the coastal provinces of Manabi, Guayas, and Los Rios are generally larger and used in commercial monoculture such as banana, cacao or coffee.

In the past two-and-a-half decades the amount of land used for livestock production has more than tripled to nearly 5m hectares, which in part explains Ecuador's dazzling rate of deforestation. Settlers continue to slash-and-burn as a way to clear areas of forest on which to grow beans and maize for one season before turning it into pasture.

The most rapid expansion of pasture has occured in the coastal areas, especially in the *province of Esmeraldas where* huge tracts of land have been cleared by settlers as well as lumber companies. In the Sierra the increase of pasture is more due to the abandonment of agricultural activities.

A large potential for growth *lies in Ecuador's horticulture*, according to Mr Gonzáles, especially tropical fruits but also flowers which have found an increasingly strong market in the US and Europe.

Yet the volatility in the production of such fruits *for* the *export* market is exemplified by the Babaco fruit. Production in 1987 reached 8,834 tonnes but then *steadily declined* over the years and in 1991 equalled only 510 tonnes.

Although outside the hurricane zone, Ecuador suffers repeatedly from the shifting precipitation patterns caused by the Pacific current El Niño. The current carries warmer waters to the coast and causes droughts in some parts of the country and floods in others. This year 22 people were killed *and 30,000 hectares of rice*, banana, cotton and maize crops were lost. The damage in the coastal areas alone is estimated to have been $70m.

At a time when droughts have caused hydroelectric plants to reduce their output, *the government plans to* revive a decade-old project to irrigate nearly 30,000 hectares of arable land on the *Santa* Helena peninsula west of the port city Guayaquil. The four dams along the river Daule are also to provide the area with electricity and drinking water. So far Brazil, Italy and Spain have agreed to co-finance the project.

Raymond Colitt

The rapid expansion of the fishing industry needs to be checked

Survival of stocks a concern

THE threat to stocks caused by the unchecked growth of Ecuador's fishing industry over the past 20 years is giving fishing authorities and the government increasingly bad headaches.

Earlier this year 14 especially equipped boats – mainly *Japanese and Korean* – began fishing for squid off the coast of Ecuador. "There had been no *study of this resource* ... we can't allow commercial exploitation without finding out how this will affect the resource and other species," said Mr Gustavo González, under secretary for fisheries. Squid fishing has been stopped, pending the results of a study being carried out with Japanese help.

Concerns focus on the survival sardine, mackerel, anchovy and other stocks. "We're going to remodel fishing policy," said Mr González, "aiming *for* a sustainable use of resources, imposing closed season and restrictions."

Independent experts agree that a revaluation of policy is long overdue but doubt whether the government will be willing or able to enforce licences, strict quotas and other measures required for effective management. Apart from the lack of funds for field trips and resource studies, policing *the fishing force all along* the Pacific coast would be virtually impossible.

Shrimp farming – a profitable business which has turned shrimps into Ecuador's third export earner – is a case in point. Although the government has banned the cutting of mangroves to make way for new ponds, shrimp farmers who travel the winding chan*nels of the Guayas estuary say* that deforestation continues, often in full view of the authorities. Sometimes an outer band of mangroves is left as camouflage.

Ecuador's shrimp farms cover large areas of land with *relatively low investment in* infrastructure. The country has over 120,000 hectares of ponds, *many of them extending* over 10 hectares or more.

As nearly all the shrimp and fishing operations are in private hands, privatisation will have little impact on this sector

Yields are low compared with south-east Asia, where farming is much more intensive.

Land along the tidal flats is cheap and the climate perfectly suited for two or more shrimp harvests a year. Earnings for 1991 reached $491m and, in spite of a drop in international prices, this year's figure is running close to the same level. Over two thirds of exports go to the US and most of the remainder to Spain and France.

However, even shrimp farmers have problems: "I wouldn't choose *to* invest in *shrimps* if I were starting up now," said Mr Fernando Felix, who has 30 hectares of ponds. "*Devalua*tion has benefited the exporters but not the producers and our costs – pumps, seed, fuel – have gone up a lot. The profit margin has dropped far below what it used to be."

An outbreak of modern piracy in the Gulf of Guayaquil – once sailed by British and Dutch pirate ships – has also unsettled producers, forcing *many boats set out for island* shrimp farms with armed guards in the prow.

As nearly all the shrimp and fishing operations are in private hands, privatisation will have little impact on this sector. The national fishing company, EPNA, *with assets worth* about $1m, is to be liquidated, according to Mr González, *while a new fishing law to* allow the modernisation of institutions and regulations is being drafted.

"We also need to do a second fisheries census to support political decisions – the first was 20 years ago and from 1972 there has been a big increase in fishing."

Over the past decade the total volume of fishery products exported has barely changed, but there has been a big re-shuffle within the sector; canned and fishmeal exports have dropped while *frozen* shrimps and fish have taken their place.

In canning- and fishmeal plants the average use of processing capacity is under 25 per cent and catches are so poor that both have difficulty covering operating costs. However, fishing exports (excluding shrimps) brought in nearly $100m last year and experts believe there is still considerable commercial potential in certain areas as long as controls are applied.

Overall, fishing and shrimp *farming provide a living for* nearly 10 per cent of the workforce. The artisanal sector, which has grown enormously over the past 10 years, is particularly important in terms of *employment and becoming* more so as jobless banana workers drift into the fishing *villages. Here* too there is concern that coastal stocks are being overfished – although the number of boats increased by a factor of six during the 1980s, the annual harvest barely tripled and fishermen reported dwindling returns.

The government is helping artisanal fishermen by providing low priced fuel and better marketing channels as well as new diversification programmes. Conflicts between the artisanal *sector and the* shrimp trawling fleet reflect the pressure on stocks with each *blaming* the other for reduced catches and earnings. Although Ecuadorian law does not *allow tuna* boats to fish on dolphins, large number of turtles have apparently been taken in shrimp trawls and turtle exclusion devices are being tested.

Traditionally weak in influence, the fishing authorities are also – like most of the bureaucracy subject to current austerity measures – starved of funds and of personnel to ensure conservation measures are followed. Mr González believes that the only *realistic* way to implement controls is by discussing them with fisher*men and enlisting* support *for* better management – but this has not proved to be an effective strategy in the past.

Sarita Kendall

ECUADOR 3

Stephen Fidler looks at moves to reduce the debt overhang

Relief not without a price

THE Ecuadorean government and most of its creditors agree on one thing: a resolution to the country's foreign debt problem will not be possible without debt relief.

Ecuador's foreign debt as a ratio of gross national product is the highest among the larger debtors in South America – 120 per cent. While far below the levels of many debtor countries in Africa and war-torn Nicaragua, the ratio is higher than Bolivia's 100 per cent and double that of Peru.

Because it makes only partial payments on that debt, the interest burden has in recent years been at levels comparable with most heavily indebted Latin countries at around 15 per cent of exports.

Nonetheless, the country suffers from a "debt overhang", a debt burden so high that its sheer size inhibits investment and blocks growth.

The previous government's unwillingness to seek a more permanent solution to the debt problem "has represented a high cost to the country because it has inhibited incoming capital and the repatriation of capital by Ecuadoreans", according to Mr Alberto Dahik, the country's vice-president.

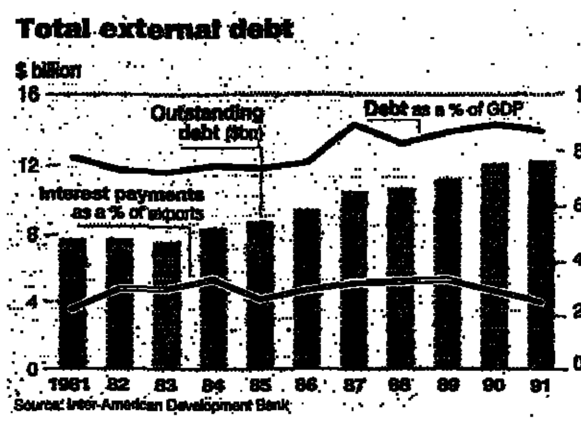
"This has put the country at the margin of international capital flows that have benefited other Latin American countries after they reached agreements with their creditors," he said.

The government appears determined to reduce the overhang, and as a signal of this is starting talks with bank creditors led by Lloyds Bank of Britain in early December in New York.

"Of course we can't pay it; we need debt relief," said Mr Dahik, who is playing an important role in shaping economic policy. The government was prepared to "use all possible mechanisms and be flexible", he said.

With the example of Mexico before them, it is now conventional wisdom in Latin American countries that the confidence effects of a debt relief deal are an essential part of an economic reform programme.

But unlike in Mexico – which never missed a scheduled interest payment – and as in other countries such as Argentina, a bank debt relief programme under the Brady plan may lead to an increase in



Source: Inter-American Development Bank

actual debt servicing, even though scheduled debt servicing falls. This is almost certain to happen in the short-term as debt service arrears – according to the government, a total $3.7bn of an overall $12.3bn debt – are tackled.

This in turn is likely to lead to a lively internal debate about the merits of raising debt servicing levels. The government has already said it intends to devote 38 per cent of its 1993 budget to debt servicing, compared with 25 per cent this year.

Apart from clearing arrears and tackling internal opposition, bankers say there are other difficulties facing a government which they believe genuinely wants to deal with the debt issue.

With a bank debt of roughly $4¼bn of principal and $2¼bn of interest arrears, the government may lack finance for so-called "enhancements", the guarantees to the concessional bonds which banks agree to take in exchange for their debt.

These enhancements are usually made up of funds from the international financial institutions – the International Monetary Fund, World Bank and InterAmerican Development Bank – together with other resources a government can pull together from its own reserves.

The government is embarking on talks with the IMF on what may be a two-year standby loan, expected to be agreed early in the new year, after which World Bank and IADB funds may fall into place, and a rescheduling from the Paris Club of creditor governments may take place.

However, reserves with which to finance enhancements are not large. After falling earlier this year to near crisis levels, they have since increased four-fold to $750m. Indeed, the fall in reserves appears to be why the government has not been able to make an interest payment to banks since July.

The government has in recent years been paying, in intermittent payments, $140m a year to banks – equivalent to 25-30 per cent of that falling due.

The lack of a payment since July has probably contributed to a fall in the price of the bank debt in the secondary market to around 27 cents on the dollar. The price peaked in the low 30s in mid-year amid expectations that the incoming government would rapidly move to settle its foreign debts. The low of about 15 cents was reached in 1990.

Bold steps taken to open the doors to trade

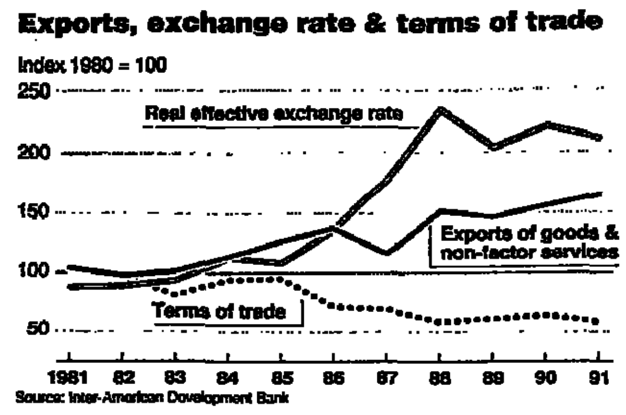
ECUADOREANS have long been terrified of the prospect of opening up their economy to international competition. It was widely assumed that a small predominantly agricultural economy of 11m people with a small, presumably inefficient group of import substitution industries would fare badly if the borders were opened.

The new government of President Sixto Durán Ballén has, however, taken a bolder approach following the example of Mexico, which through the North American Free Trade Agreement is trying to tie itself to the economic giant to its north.

The speed with which the government has acted on this has been impressive in a country where the bureaucracy traditionally moves slowly.

The initial moves have been with its neighbours. In October, tariffs between Ecuador, Colombia and Bolivia were abolished and Venezuela is scheduled to join the free-trade zone in January.

This is in spite of problems within the Andean Pact – the recently revived trade grouping which brings Ecuador



Source: Inter-American Development Bank

together with Peru, Bolivia, Colombia and Venezuela.

Problems arose partly because of the breakdown of diplomatic relations between Venezuela and Peru due to the suspension in April of the constitution by Peruvian President Alberto Fujimori. From the Ecuadorean perspective, the pact improves Ecuador's negotiating position.

According to government officials, a priority is Chile, a country with which trade has traditionally been light. While the two economies are not seen as natural partners, they are said to complement one another.

Another reason to move ahead with the lifting of trade barriers was the level of illicit cross-border trade that is already taking place.

Official figures suggest Ecuador's exports to Colombia in 1991 were $31.9m, about 2 per cent of total non-petroleum exports, and imports of $94.5m. Yet smuggling is so widespread, the actual trade may be as much as four times higher.

Stephen Fidler

ENERGY

Oil policy at centre of a political storm

THE NEW government's energy minister, Mr Andres Barreiro, has had the political spotlight on him since taking office.

He put the case for Ecuador's withdrawal from the Organisation of Petroleum Exporting Countries and has borne the brunt of public anger over fuel and electricity price increases. Furthermore, he still faces "trial" by Congress which could force his resignation – a threat that leaves oil policy in limbo at a crucial stage in the new administration.

However, the price adjustments were an unavoidable hurdle in the government's programme to cut subsidies and rationalise fuel use and as such have been welcomed by the financial sector. Years of undercharging have left the main electricity companies with a large debt and Ecuador without the new projects needed to ensure future supplies. If the rains are unkind and the change to daylight saving time does not reduce consumption, the minister will have to take the unpopular step of reintroducing power rationing.

One of the main reasons for leaving Opec was the decision to raise crude production well beyond Ecuador's quota of 275,000 barrels per day (bpd). Although output has been 10 to 20 per cent above this level for some time, Opec has turned a blind eye rather than force the issue and lose a member, albeit a country that represented only 1 per cent of production. Being in the organisation also gave prestige to a small nation and fed nationalist sympathies in Ecuador.

Production is due to increase by 60 to 70,000 bpd during 1993, taking total output up to about 390,000 bpd by the end of the year. Between 1994 and 1996 another 100,000 bpd could be available but this will depend on the production agreements reached with foreign companies now developing fields in the Napo and Pastaza areas of the Amazon region. Oil reserves currently stand at about 1.5bn barrels.

Some 120,000 bpd are used for domestic consumption and the growth in output will generate more for the treasury as well as extra foreign income. In the first eight months of this year earnings from crude oil rose by 15 per cent to $804m, mainly because of the bigger volume of exports.

Not one new exploration contract was signed under the last government and foreign companies operating in Ecuador are hoping for solutions to a series of contractual problems. "When they began investing in the mid-'80s they were expecting to produce light crude at good prices – but instead some have heavy crude at under $17 a barrel," said Mr Fernando Santos, a former oil minister.

The government is anxious to encourage further exploration and plans to reform the oil law and change tax regulations. Areas in the north-east reserved for the state oil company, Petroecuador, will be opened up and a number of blocks will probably be put on offer in mid-1993, once the reforms are approved. The north eastern Amazon is close to existing infrastructure and good quality oil has been found at shallow depths. This area is also away from the more problematic Indian-occupied areas.

"Ecuador has excellent potential, though the Indian question is sensitive," said a foreign company oil executive. "The pre-Cretaceous has not been touched but drilling costs would be higher, it is deeper and technically more difficult."

Nearly all Ecuador's oil is produced in the Amazon and Indians and the environment have become high profile issues. Ecological groups have taken up the Indian banner, campaigning to prevent the development of oil fields in national parks and Indian reserves.

Conoco, a subsidiary of US group Du Pont, which put out a "green" development plan for heavy crude deposits in Waorani Indian territory, left Ecuador after protracted negotiations had failed to conciliate all the different interest groups.

Maxus Energy, a Texas oil company, took over from Conoco as operator and is starting to build a road from the river Napo into the production area. This is the most controversial element of the project because in the past roads have channelled thousands of new settlers into the forest and Indian lands.

"The armed forces have promised strict controls so no colonists will pass along the roads, the agrarian reform institute must not recognise any settlement of the land," said Mr Manuel Navarro, head of Petroecuador's environmental unit.

The Waorani case is the most complicated – the Indians are a small, semi-nomadic group, especially vulnerable to outside influence and manipulation. Recently some of the Waorani were brought to Quito and camped out in front of Maxus' offices until the cold drove them back to the Amazon.

"A moratorium on oil development in these areas is impossible so we must minimise impact. Now the environmental unit is in on everything from the pre-feasibility stage," said Mr Navarro. An environmental audit of Texaco, which operated in the main Amazon fields for 20 years, is due to start this month.

The future of Petroecuador and all its subsidiaries is still under discussion. Parts of the oil industry may be privatised – for example, the refineries on the Santa Elena peninsula and some of the retailing business. Big investments in infrastructure are needed, including a new pipeline over the Andes mountains if Amazon production goes above 400,000 bpd.

But it is not clear how far the government will go on privatisation, given the strength of the oil trades unions, the convenience of a state income and the nationalism attached to oil issues.

The electricity sector – particularly the distribution end – is also a candidate for privatisation in the long term. Three quarters of Ecuador's generating capacity is hydroelectric, although small thermal plants are being set up. The Paute scheme, which supplies a third of the country's power, is threatened by the quantity of sediment accumulating in the reservoir. Construction of a dam higher up the river to control the problem has been postponed several times but is now to go ahead, according to the government.

In spite of a plethora of plans and studies of energy alternatives, Ecuador has never had a comprehensive energy policy. Natural gas in the Gulf of Guayaquil remains undeveloped, and extensive fuels such as diesel are used in thermal power stations. The government has made a start by trying to rationalise consumption but there is still a long way to go.

Sarita Kendall

ECUADOR 4

While the Galapagos islands' natural attractions have long been a big tourism earner, colonial architecture, beaches and volcanoes make mainland Ecuador a traveller's paradise

The government's plans aim to turn tourism into the country's biggest industry

Potential earnings enormous

With the intent of forging tourism into the number one economic activity of the country, the nearly four-month-old government of president Sixto Durán Ballén is etching out, for the first time in Ecuador's history, a long-term development plan for the industry.

An indication of his commitment is that the president has formed a ministry of tourism and information which is to revise applicable laws, promote tourism abroad and co-ordinate the industry's development.

Tourism ranks fourth after petroleum, bananas, and shrimp in the generation of foreign currency. In 1991 the tourist industry itself generated nearly $200m in direct revenues, but its impact on the rest of the economy is estimated to be three times as big. In the same year approximately 380,000 visitors came to the country, of which 40 per cent came from Colombia, 18 per cent from the US, 17 per cent from Europe and 11 per cent from Peru.

According to CETUR, the government's tourist agency and now technical arm of the ministry, Ecuador's tourism industry in 1991 had a lodging capacity of 58,000 travellers and employed approximately 35,000 workers. Of the 1,400 hotels, hostels and pensions to choose from in the country only roughly a dozen can be considered first class.

The biggest tourist attraction in Ecuador has been and continues to be the Galapagos Archipelago. More than 40,000 visitors came to see exotic penguins, *the famous giant tor*toises or tree-sized sunflowers last year. Boat cruise operators are putting pressure on the government to increase the permissible number of visitors.

Yet the Charles Darwin Foundation, charged with conducting research and aiding in environmental protection, warns that the islands' delicate ecosystem is already being overtaxed by the number of visitors.

However, the potential for tourism to grow in mainland Ecuador is enormous say industry analysts and travel entrepreneurs. "Ecuador has more", *has* been the *slogan* with which the private sector has sought to promote areas other than the Galapagos.

Ecuador's immense geographical and cultural diversity indeed make it a traveller's paradise. Beaches, snow-capped volcanoes, Indian markets, quaint colonial towns and Amazon rainforest can all be reached in little more than an hour's journey from Quito.

A favourable exchange rate makes Ecuador an inexpensive country for most foreigners. In addition, the country's political stability gives it an advantage over its neighbours Peru and Colombia, where the governments are still battling against leftist insurgents.

'In the past the government's efforts to promote tourism abroad have been minimal'

"The potential has always been there," says Mr Eduardo Proano president of Metropolitan Touring, Ecuador's largest tour operator. "But in the past the government's efforts to promote tourism abroad have been minimal. Tourism has been largely a private-sector activity."

According to Mr Patrick Barrera of *the private sector trade* association Feprotur, the key to developing Ecuador's tourist potential is to further engage in eco-tourism – the branch of the industry that offers the country's natural beauty and diversity, while simultaneously protecting it.

Ecuador has already been practicing organised eco-tourism not only in the Galapagos but also in the Amazon region. Metropolitan Touring has been operating a luxury boat cruise on the Napo and Aguarico rivers for 18 years and now offers a range of holiday packages to the area.

As well as allowing visitors to view the unspoiled flora and fauna of the Amazon jungle in *Cuyabeno national reserve* in north-eastern Ecuador, nature guides on board educate tourists on the importance of conserving the wildlife they have come to see.

Eco-tourism not only provides local communities with an alternative to farming and hunting, but the fee that foreigners have to pay to enter the national parks helps finance the park management, which is still inadequate.

How tourism affects the behaviour of indigenous groups in these remote areas remains to be seen. Yet in Cuyabeno the Cofan tribe, which *illustrates the Amazon's medic*inal plants and sells handicrafts to tourists, seems to be benefiting from the influx of visitors.

One of the areas that the government and Metropolitan Touring are developing for eco-tourism is the national park Machalilla, on Ecuador's central coast. Machalilla not only includes a tropical dry forest, a cloud forest and the island La Plata with bird life like that of the Galapagos islands – the bird count actually exceeds that of Galapagos – but it also harbours archeological sights of one of the oldest civilisations in the Americas.

With the help of a three-year development plan designed by Feprotur, the government seeks to provide the necessary infrastructure to allow organised tours to operate in the park.

According to the plan the park will be spared grand-scale hotel complexes which might endanger the delicate balance of the ecosystem. Rather the facilities – including visitors centres and hiking paths – are to blend in with the environment as much as possible. Negotiations to finance the project are under way with private and institutional investors, including foreign ones.

Not only is eco-tourism a rea*sonable strategy* because of the type of natural resources Ecuador offers, it is also reasonable because of its low cost and relatively short implementation time. The plan to develop Machalilla Park, for example, is estimated to cost $150,000. With these types of projects Mr Carlos Solórzano, the sub-secretary of tourism, expects positive results in the short to medium range.

With the reform of the foreign investment law under way, Mr Solórzano hopes the tourist industry will attract enough capital to develop other potential tourists sites, *especially in the hotel sector*. The government is also exploring the possibility of converting the country's foreign debt into what would amount to "debt-for-tourism swaps". Such financial mechanisms have already been employed in Mexico and Venezuela.

The possibility of 'debt-for-tourism swaps' is currently being explored

One of the main activities of the newly created ministry is to promote Ecuador as a tourist destination abroad. According to Mr Solórzano the government intends to collaborate closely with Feprotur, which already operates a promotional office in Miami.

Yet the success of eco-tourism in the long run will depend on the ability of the government to manage the diverging demands that exist on Ecuador's natural resources. Miners, loggers and settlers are invading parks and other pro*tected areas at an alarming* rate, thus endangering the very asset of eco-tourism – the country's ecological diversity and natural beauty.

Raymond Colitt

KEY FACTS

Area	270,670 sq km
Population	11.1m (1991 estimate)
Head of state	President Sixto Durán Ballén
Currency	Sucre (Su)
Average exchange rate	1991 \$1=Su1,046
	1/12/92 \$1=Su1,892

ECONOMY	1991	Latest[1]
Total GDP (\$bn)	11.6	n.a.
Real GDP growth (%)	4.4	2.5[2]
GDP per capita (\$)	1,046	n.a.
Components of GDP (%)		
Private consumption	70.5	
Total investment	21.7	
Government consumption	8.0	n.a.
Exports	30.9	
Imports	-31.1	
Agriculture as % of GDP	17.6	n.a.
Consumer prices (% change pa)	48.7	50.4
Reserves minus gold (\$m)	924.3	527.1
Discount rate (% pa, year end)	49.0	49.0
Total external debt (\$m)	12,319	12,500[2]
Debt service ratio (%)	37.5	n.a.
Current account balance (\$m)	-467	-340[2]
Exports (\$m)	2,851	3,000[2]
Imports (\$m)	2,207	2,300[2]
Trade balance (\$m)	+644	+700[2]
Main trading partners (1990 % by value)	Exports	Imports
US	45.2	34.8
Peru	5.0	-
Panama	3.9	-
Germany	3.9	6.9
Japan	2.5	7.5
Brazil	–	5.9
Development indicators	15-20 yrs ago	Latest estimate
Dependency ratio[3]	48.3	43.1
Urban population (% of total)	42.4	56.0
Population growth rate (% pa)	3.0	2.2
Infant mortality rate (per 1,000 live births)	83.0	54.8
Adult illiteracy (% aged 15+)	25.8	14.2
Life expectancy (years)	60.4	66.1

[1] = 1992 figures (Consumer prices, Reserves - June; Discount rate - July)
[2] = EIU forecast for 1992 [3] = % of population aged under 15 or over 65
Source: IMF, World Bank, Economist Intelligence Unit

Poverty, discrimination and lack of land are the main concerns

Indians seek a united voice

INDIANS have become a significant social force in Ecuador, pressing for solutions to 500-year-old problems such as land and cultural survival, but also proposing reforms which would give them far greater autonomy.

The most controversial demand involves a change to the first article of the national *constitution to describe* Ecuador as a "pluri-national" state, on the grounds that the different Indian groupings are in fact distinct nationalities, each with its own history, territory, language and institutions.

Not all the indigenous organisations agree with this change and many non-Indians believe it could create an explosive situation. "Indian demands have got out of proportion," said Mr Fernando *Guerrero*, a *social democrat* congressman representing the highland province of Chimborazo, where over half the population is Indian.

"They want to achieve in two or perhaps five years all they didn't get in 500. On the other hand Indians should have their own representatives in Congress – they should be independent of the political parties, which only use them."

Between 25 and 45 per cent of Ecuador's population is classified as Indian, depending on how an Indian is defined: a man from Otavalo who ties his hair in the traditional long *plaits but wears blue jeans* and dark glasses may call himself an Indian while a poncho-clad Quichua speaking herdsman may not.

After centuries of exploitation as serfs and cheap labour most highland Indians are poor; they live off tiny plots of the least accessible and least productive land on the upper mountain slopes and, as population pressure mounts, migrate to the cities to take occasional low-paid work.

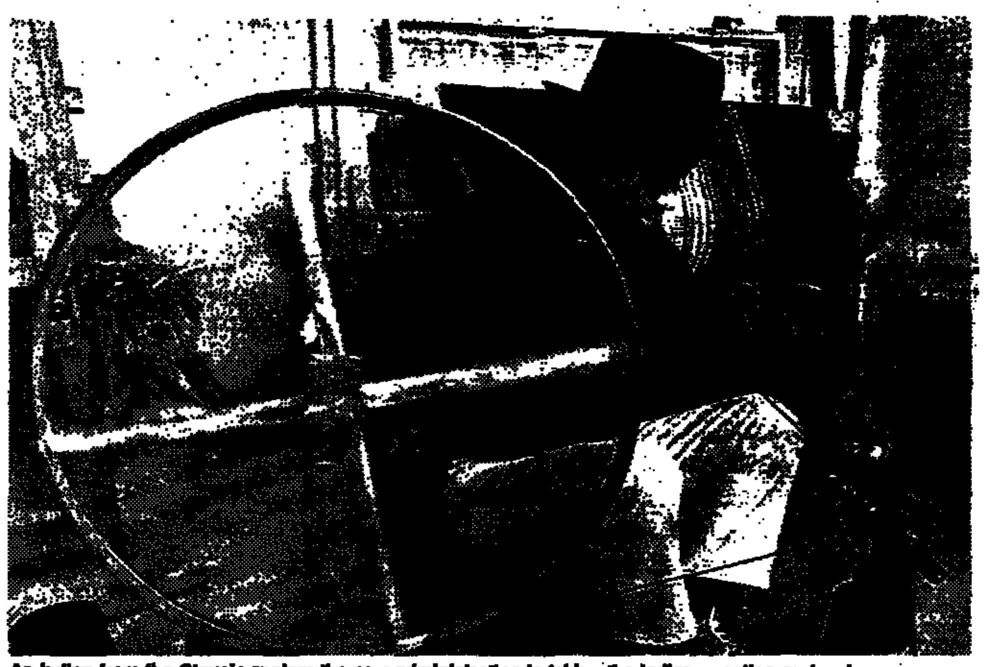
The Spanish conquerors came soon after the Inca armies when some of the Andean tribes were still resisting Inca rule. However, Quichua – a dialect of the Inca language – spread throughout the highlands and down to the Napo area of the Amazon lowlands.

Since 1988 bilingual education has been officially incorporated into the education system and there are about 1,000 bilingual Indian teachers in the countryside. Although Quichua is the most widely used of the eight Indian languages – about 30 per cent of Ecuadoreans speak it – other Indian groups, such as the Amazon Shuar, also have their own bilingual schools.

The Catholic church has played an important part in reaffirming Indian languages *and cultural values over the* past 20 years, in contrast with its early efforts to wipe out all indigenous beliefs and impose "civilised" Christianity on the people.

The stronger Indian organisations – including the Confederation of Indian Nationalities of Ecuador, CONAIE – were originally Catholic influenced. "They tend to have a more aggressive view and are fierce about preserving cultural roots," said Mr Guerrero.

Although both religious and political issues divide the Indians, their main concerns – land, poverty and discrimination – are the same. Hundreds of communities joined the Indian uprising of mid-1990, blocking roads, invading haciendas and marching through the provincial capitals. The Indian movement virtually took over the highlands, speaking with a united voice and forcing the government to address the land problem.



An Indian from the Otavalo region: the new administration is taking the Indian question seriously

Earlier this year over 2,000 Amazon Indians marched up from the Pastaza forests to the capital and camped out in a central park. Once again, the main issue was land. But while the highland Indians are fighting for the redistribution of large, expensively farmed haciendas, the Amazon groups want legal title to long occu*pied forest lands* which are now being infiltrated by new settlers, gold panning families and oil companies. The Pastaza Indians won about half their territory and are drawing up a forest management plan for the reserve.

The 100,000 Amazon Indians are unexpectedly well organised and were the driving force behind the formation of CONAIE. Sedentary groups are trying to develop survival strategies combining mixed farming with the sustainable harvest of forest products. But much of the forest in the northern part of the region has already been cut down and the Indians often take jobs with the oil companies.

The new administration is taking the Indian question seriously, says Mr José Quimbo, who is in charge of the Indian Affairs Office attached to the presidency.

Clad in the dark blue wool poncho and felt hat that identify him as an Otavalo Indian, he describes the thinking behind the government's Indian plan. "Land is a priority – not just the transfer of land because that hasn't resolved many *of the* problems. Indians have to be trained to run our own projects and be incorporated into the development process and not depend on the state."

Mr Quinbo's own area is relatively prosperous compared with, say Chimborazo. Newly cobbled roads carry regular bus services and the houses are being white washed. It is not the small, oxen-ploughed maize fields that underwrite such improvements but a flourishing craft industry and a regular flow of tourists.

Many of the highland Indian communities lack drinking and irrigation water, *health* centres, power and above all adequate access roads. It is often simply not worth paying the cost of transporting a few sacks of potatoes *down* the mountain to market.

Last month President Sixto Durán Ballén set a precedent by meeting CONAIE representatives. "It gives importance to our problems," said a member of CONAIE, who is, however, critical of the government's plan. "It seems to be the same *sort of thing as before*, providing latrines and hand-outs and not taking on the real difficulties."

In spite of their success in drawing public *attention*, the Indians are not considering taking on the political establishment as yet. The differences between the organisations are not insuperable, said a Shuar Indian, but "It is too soon for a political party. We have to go slowly and learn how to think ahead and how to work with each other".

Sarita Kendall

In for a rough ride

Continued from Page 1

Isolated incidents persist, but Ecuador has been successful in defusing incipient rebel groups in the past.

However, the government recognises that drug trafficking has become a serious problem and realises that the country is no longer merely a transit centre.

Both cocaine-making laboratories and poppy plantations have been found in recent months. Estimates of the amount of money which is being laundered have risen to $700-$800m a year, although stricter banking controls have been introduced.

However, given the catching up that there is to do on so many fronts, many feel that the government is not moving fast enough.

"Ecuador – especially the social sector – has downgraded more than any other country in the continent except Peru," said banker Mr Leon Roldos, former vice-president of Ecuador.

"A government that wants to put through structural reform must think ahead beyond the four years. It must get political forces working together and make people feel a long-term commitment."

Sarita Kendall

Banknotes that leap out at you

Central banks are always trying to keep a step ahead of banknote counterfeiters by weaving metal strips into notes or cotton threads soaked in ultraviolet dye, and by the traditional – and most reliable – defence of watermark paper.

But, from Austria to Australia, holograms or their sister-product, kinegrams, are beginning to make an appearance on banknotes, and could become more common if current efforts to overcome technical problems are successful.

According to Stanley Kreitman, president of US Banknote, holograms have two advantages when used on banknotes. First, they are simply another anti-counterfeiting technique to make the forger's job harder. Second, they prevent the increasingly prevalent method of counterfeiting by colour-copier – holograms are 3D, while a copier works in only one dimension.

One of the first uses of a hologram on a banknote was in Australia, on the bicentennial $10 note. In Austria, the national bank began issuing a Sch5,000 note in 1990 using a stamp-sized kinegram in the shape of Mozart's head.

The kinegram, developed by Switzerland's Landis & Gyr Communications, changes position from left to right with movement of the note. Switzerland plans to use it in what will be the world's first full series of banknotes with kinegrams, now in development and due for issue in three or four years' time.

Holograms and kinegrams are stamped on to the notes with a hot press. But while the holograms can be produced economically, says Kreitman, applying it to the note in exactly the same spot is difficult.

US Banknote is experimenting with holograms in two ways: it is trying to put a true holographic strip in the note – current efforts do not give a 3D look; and it is working with one of the world's biggest chemical groups on a way of printing the hologram on the note as it is being produced. "We're not too far away," says Kreitman.

Achieving this could well overcome the US Treasury's anxieties about wear and tear on the hologram when applied via hot stamping. But it is a bit too early to predict when the mighty greenback will bear a hologram, or who or what might appear on it.

Andrew Baxter

Cheque security has entered a new dimension, writes Della Bradshaw

I'll pay by hologram

Stephen Adams: covert security systems are needed to track fraud down the line

Just a few years ago, holograms were cheap and glitzy, a promotional gimmick on a cornflakes packet or decoration on a toy.

But today, holograms – known to the initiated as optically variable devices (OVDs) – are proving increasingly popular as a means of preventing theft and fraud.

Already widespread on rigid plastic credit cards, the Association for Payment Clearing Systems (Apacs) in the UK is drawing up standards for the shimmering slivers of foil to be used on cheques.

The extent of cheque fraud is difficult to calculate. In 1990, Apacs believes it totalled about £17.7m, although that dropped in 1991. But many say the figure is far higher, with individuals and companies unaware they have been defrauded – or unwilling to admit it. Detective Inspector Guy Johnson, of the West Midlands Police cheque squad, says this kind of theft is widespread and is replacing the traditional "smash-and-grab".

The police face two problems. First, counterfeiting, where the name or value on a cheque is changed. Second, forgery where the basic document, such as a cheque, is copied.

Forgery has become increasingly easy, as colour photocopiers and colour scanners have enabled the dishonest to replicate cheques, tickets and vouchers. "These are dangerous things because they are getting quite ubiquitous," says Philip Hudson, managing director of De La Rue Holographics. "They're also very difficult because the police can't trace the cheques: there are no tell-tale signs."

Ian Kellett, chief accountant with mail-order company Grattan, which plans to use cheques incorporating holograms from the new year, believes his company was quick to recognise the risks of such advanced technology because they themselves are users of it. "We related to desktop publishing because we use it in our business for catalogue creation. We wanted to take the cheque out of this printing environment."

While complex patterns, fluorescent inserts and water marks have all failed to deter the dedicated forger, hologram makers believe their products will succeed because they are difficult to replicate. "They can't be copied or photographed. To replicate them you would need the same technology as we have," says Hamish Shearer, technical director of Applied Holographics.

Producing a hologram requires clean rooms similar to those involved in semiconductor production.

In brief, the hologram pattern is created by splitting a laser beam in two: half falls on a photographic plate; the other half shines on to the art work before reaching the plate. The way in which this pattern interferes with the pure beam determines the final hologram. After further processes, the plates are coated with molecules of pure silver, then topped with nickel. The plates are then used to build up a printing cylinder for mass production.

Stephen Adams, divisional director of the security print and systems division of Kenrick & Jefferson, believes OVDs should be used with other techniques to prevent fraud. "We never advocate a single security feature," says Adams. "It has to be a more and more covert system to track the fraud down the line."

Johnson believes otherwise. He argues that the banks should spend their money on a single technology which cannot be copied and which is easily recognisable by everyone likely to handle the cheque – from the banker to the shopkeeper in the local store. "Unless the receiver of the document knows what the document looks like, how can we stop counterfeiting?" asks Johnson. "If the counterfeited document is rarely seen, such as a building society cheque, how do you know whether it is counterfeit or not?"

Two obstacles had to be overcome to put holograms on cheques. The first was to ensure that the hologram stuck and could not be removed. The paper used for cheques is highly textured so adhesion can be difficult. And the heat and pressure needed to apply the OVD has to be carefully controlled so that it does not destroy other security features.

The second was to ensure the integrity of automated cheque processing. If the hologram had been thick – it is just 2.5 microns, or millionths of a metre, deep – "piggybacking" could occur, where the build up of a "bump" in the pile of cheques results in some of them slipping through the automated process without being read.

Estimates for the market-growth of holograms for security and anti-counterfeiting vary widely. But Morris Weissman, chief executive officer of United States Banknote, one of the biggest hologram suppliers, reports market-growth of 75 to 80 per cent over the past year. "We expect the same kind of growth in *the coming year,*" *he adds.*

Manufacturers say this is because several drawbacks have been ironed out. Now the devices can be easily incorporated in factory production lines – just like a stick-on label. And prices are falling.

The cost of putting holograms on cheques works out at less than one pence per cheque – conventional cheques cost three or four pence each. On top of that is the cost of designing the hologram – anything from £2,000 upwards.

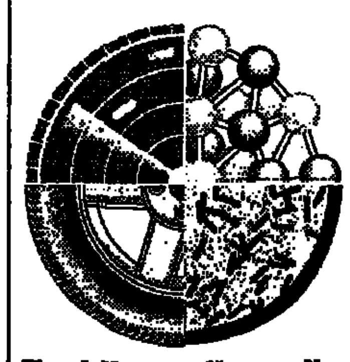
Other documents have already been given the hologram treatment. Wembley Stadium tickets contain holograms, as did all the tickets for the 1992 Olympic Games. Season tickets on the Illinois mass transport system in the US also bear an OVD as do postal stamps in several countries.

Another big growth area is in packaging to ensure that seals on prescription drugs, software or video cassettes are not broken.

Whether a company is distilling whisky or making jeans, holograms can help it protect its label.

Appropriately, even Batman is in on the act. Every licensed Batman product sold in the US last year incorporated a hologram in the packaging.

Worth Watching ·Della Bradshaw



Toshiba strikes oil in recycled plastic

Researchers at Toshiba's environmental engineering laboratory have developed a way of reclaiming fuel oil from chloride-based plastics, such as PVC and polypropylene.

The difficulty in recycling these chloride-based plastics is that they give off harmful hydrogen chloride gas when heated.

The Toshiba process puts smashed plastics into a reacting chamber, as with traditional reclamation processes. However, a high-density alkaline solution is then added which transforms hydrogen chloride into a harmless salt when heated.

Because the alkaline solution decomposes some of the plastic additives that resist heat, the *retrieval rate for oils rises from* 50 per cent to 90 per cent.
Toshiba: Japan, 03 3457 4511.

Prize winner in motorway safety

Safer motorway crash barriers have been developed from a rope technology originally designed for restraining landing aircraft on aircraft carriers. The Brifen four-rope safety fence has won the 1992 Prince Michael road safety award for technical innovation for its developer, Bridon Ropes, of Doncaster.

The system comprises four ropes each made from 21 wires of high tensile carbon steel which individually can lift the weight of a typical saloon car. The ropes are woven between posts which collapse upon impact, absorbing the kinetic impact of the vehicle.
Bridon Ropes: UK, 0302 382412.

Blessed are the bleach makers

Paint-makers, specialist chemical companies and even manufacturers of household bleach will have to comply with a standard labelling system if they want to sell their products in the single European market.

To help product formulators label their products correctly Safeware Systems of Kegworth has developed a PC software package which identifies the correct risk label to put on the product – there are about 100 of them.

The package also helps formulators decide which ingredients to swap in order to change the hazard levels. Diluting many chemicals can reduce the danger factor, for example. The package could also reduce the need for animal testing. Safeware Systems: UK, 0509 672656.

Cruising into the lecture room

"You should be able to walk into a room, stand in front of a board of directors or a group of students and start making your presentation in 30 seconds," says Jeremy Bent, marketing director of Daltek, which has launched a presentational tool called the Cruiser. It consists of a notebook computer with a detachable screen (or pallet), a 2m character expandable memory, and a *detachable hard disc, writes Andrew Fisher.*

The Taiwanese-made product, in black and white (£2,395) or colour (£4,995), is aimed at making things easy for the non-technically minded who want to get their message across with a minimum of fuss and maximum effect.

Its screen fits any overhead projector and no special lighting conditions are needed. Daltek Distribution: UK, 081 450 3488.

Of mice and burglars

Burglar alarm technology has been adapted to trap a different kind of intruder – the mouse.

When the mouse approaches a "catching box" two infra-red beams are broken. A transmitter sends a message to a control box which shuts a trap door, imprisoning the mouse.

The control box, which can serve over 200 mouse boxes, gives both an audible and visual signal that the mouse trap has been entered.
Rentokill: UK, 0342 327171.

LEGAL NOTICES

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NEXT PLC (the "Company")
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Payment of the Redemption Amount together with interest due will be made on or after the Redemption Date against presentation and surrender of the Bonds or Coupons at the specified office of any of the Paying and Conversion Agents. Bonds must be presented for payment together with all unmatured Coupons. Interest will cease to accrue on the Bonds as from 29th January 1993. Bonds and Coupons will become void unless presented for payment within 12 years and 6 years respectively from the Redemption Date. If any Bond or Coupon is lost, it may be replaced at the specified office of the Principal Paying and Conversion Agent upon payment of the expenses incurred and on such terms as to evidence and identity as the Company may require.

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Japan adapts to western practices

Japanese managers are discovering the importance of managing people, rather than factories, in their efforts to cope with worsening economic conditions. This message has been spread by consultants from Tokyo's Nomura Research Institute during a world lecture tour on how Japan is dealing with slow growth.

NRI says executives are even adopting the management priorities of western companies. Profits have already replaced sales at the top of the Japanese management agenda, guaranteed lifetime employment is becoming a thing of the past and the interests of shareholders are increasingly important.

But more important changes are also taking place. Traditionally, executives have concentrated on improving productivity. Now "serious consideration is being given to methods of running organisations based on people", according to Shiro Tanikawa, a senior management consultant at NRI.

By fostering a sense of individuality, for example, companies are finding it easier to move managers between jobs and manager mobility has allowed several companies to restructure in recent months.

Another break with the past is a growing willingness by Japanese companies to buy in new product concepts, a trend which NRI says could lead to expanded links with domestic and foreign companies. It tags the process with a new management catchphase: *Kyo-sei*, or "global symbiotic co-operation".

One contributing factor has been the westernising of the Japanese economy: the service sector has grown, capital costs more, working hours are shorter and consumer desires have become more diverse.

The result, according to Takeshi Murakami of NRI's consumer and services industries department, is that "Japanese-style management and US and European-style management are moving closer together."

Daniel Green

Poor urban areas pose special problems for businesses, and managers will need new skills if they are to meet the challenge. **Michel Syrett** reports

Streetwise in the inner city

Managers find that involvement in community affairs plays a critical role in maintaining the standing of companies locally

An international company decides to open a subsidiary in a country where it has had no previous presence. The expatriate manager has no experience in the country, does not speak the language and has no knowledge of the local culture or way of doing business.

Daft? Not as daft as a domestic company which opens an outlet in an inner city with an ethnically-diverse population and then appoints a manager from the suburbs to run it without the right training or experience, says Joanna Howard, research director at Roffey Park Management Centre*.

Howard is conducting research into the skills needed by inner city managers. She argues that urban renewal programmes conducted by government agencies, local industry and community associations in many of Britain's worst-affected inner cities are undertaken without proper consideration of the skills needed to run the initiatives.

The characteristics of these urban areas – broad cultural mix, pockets of gentrification, housing difficulties, dense population and a high potential for the entrepreneurial spirit – impose distinct demands on managers, regardless of their business.

"It's in inner cities that our major black communities live, and other communities with rich and different cultural backgrounds," she says.

"The model of management that relies on everyone working from the same cultural assumptions may well fall down in this kind of setting. The manager who pays attention to 'what matters here' at an everyday, as well as at a deeper, level has a better chance of succeeding."

This may mean being able to manage large numbers of part-time and casual workers, or being aware of how the experience of long-term poverty, unemployment or racial harassment affects people.

Being more sensitive to the safety and security of employees is one example. "Simple things like putting lighting in company car parks or arranging transport for your female managers if they work late will do wonders for your staff turnover," says one personnel manager.

The security of employees is a particular problem for Colin Allies, district general manager of British Gas in Southwark, a south London borough with a high crime rate in its many high-rise housing estates.

Maintenance engineers are now accompanied by less-skilled colleagues and meter inspectors are equipped with radios. Both measures were introduced following the establishment of working parties between management and staff to consider safety issues.

Allies says teamwork and employee communication are particularly important in inner city settings. "I'm not saying they aren't important in other parts of the country," he says.

"However the need to use these skills more effectively is more acute in areas where there is this high ethnic tension and distrust between communities."

Much the same could be said of involvement in community projects. Community work is generally regarded as good corporate behaviour, but the networks it provides for managers in inner city communities could be vital in attracting and retaining good staff.

Managers might also gain a greater understanding of the local demand for their organisations' services or products or the need for special credit or loan arrangements.

Philip Morris was manager of the Brixton branch of the Marks and Spencer clothing and food chain when riots erupted in the south London borough in 1981. He found his involvement in community affairs played a critical role in maintaining the standing of the company locally.

"During the turmoil, people turned to M and S as an oasis of calm. They felt safe inside our doors. It really drove home how important it is for businesses to take an interest in the people around them. I still feel a sense of pride in the fact that the M and S name I placed on the 'We're backing Brixton' sign over the railway bridge is still up there after 10 years."

Employee recruitment, training and appraisal are another challenge.

Corning Glass in the US, for example, introduced reforms to their personnel policies in the wake of internal surveys that suggested female and black employees were leaving the company at twice the rate of their white male counterparts.

The reforms included weeding out hidden biases in selection and appraisal procedures and introducing workshops to give employees a chance to air their concerns.

The team responsible for improving the opportunities for black workers went further, working with local chambers of commerce to persuade grocery stores to place black hair products on their shelves and talking local TV stations into adding black entertainment programmes to the line up.

"Corning's example shows how important it is for inner city managers to think outside their immediate mindset and see how employment policies need to be linked to reforms in the local culture, networks and amenities," says Beatrice Young, founder of the culture change practice of Harbridge House, the US consultancy that has pioneered human resources strategies.

"This requires lateral thinking on a scale that would not be needed in other environmental circumstances," she says.

Iain Vallance, British Telecom's chairman, recently said the ability of UK industry to trade profitably in inner cities depended "very considerably" on the health of the local community.

"If that health is adversely affected by deprivation, crime, vandalism, racial tension, inner city decay, homelessness or pollution, so too is our own business health. Our opportunities are reduced, our problems increase, our costs rise," he said.

The scale of inner city regeneration in Britain means that companies need more managers who understand other cultures. But Howard argues that inner city workers rarely win promotion to middle management.

The question facing employers is how to support and foster inner city managers who can "match" the organisational culture of middle and senior management with the values that make them effective in their work.

It means, says Howard, "helping a person value what they bring to their role as managers because of their differing background, rather than in spite of it."

**Roffey Park Management College. Forest Road. Horsham. West Sussex RH12 4TD. Tel 0293 851644*

Codes of ethics on a wing and a prayer

Following in the footsteps of their more self-conscious American brethren, more and more European companies are introducing codes of ethics.

At first sight they look impressive to the "stakeholders" at whom they are aimed – employees, suppliers, customers and the wider community. But how many are really worth the paper they are written on?

Much depends on how they are drawn up, according to Richard Harries, the Bishop of Oxford. In many companies they are formulated by a small group at the top.

But the Bishop disparaged such codes last night in a London Business School lecture on "the morality of good business".

Instead, he advocated a lengthy process of consultation in which everyone affected could participate. His own diocese had involved all of its parochial church councils in drawing up a Vision, Priorities and Targets paper, he said. The process took two years.

Itemising other requirements needed to make codes of conduct effective, the Bishop said they should be expressions of, not substitutes for, a deeply-imbued sense of corporate values.

Rather than just being applied in a "minimalist, legalistic way", they were effective only when they were seen to be part of a corporate culture with a strong sense of moral purpose about what the company did and how it did it.

Codes should be communicated widely and kept constantly effective, said the Bishop. The next stage for companies must be to review and monitor them. Adequate mechanisms must be set up to test "the effectiveness, the reality, of what exists on paper".

Comparing the existence of codes of conduct in Britain with other industrialised countries, the Bishop cited statistics which suggest that about 75 per cent of US companies now have them, against 40 per cent of companies in Germany and France in 1988, but only 28 per cent of Britain in 1991.

However, this was well up on the 18 per cent in 1987. The Bishop expressed confidence that the increase would continue.

Christopher Lorenz

ARTS

'The Refectory at Walsingham Priory' by John Sell Cotman

Cotman's genius brought into the light

Susan Moore reviews 'Cotmania and Mr Kitson' in Leeds

It is the fate of the watercolourist to be consigned to art history's bottom drawer. If John Sell Cot*man's chosen medium had* been oil paint, he would be celebrated as one of the greatest and most original of British landscape painters. Instead, the vulnerability of watercolour to light has ensured that his work is secreted away in the darkness of museum print rooms, well out of the public eye.

A rare opportunity to see something of his genius is offered by Leeds City Art Gallery. To mark the 150th anniversary of his death, the gallery is bringing to light a representative selection of some 40 watercolours and sketches drawn largely from *its own rich holdings.*

Sydney Decimus Kitson (1871-1937), a Leeds-born architect, Cotman biographer and passionate collector, instructed that the bulk of his immense collection of over 1,000 watercolours, sketches and prints by and after Cotman, books, catalogues and articles relating to the artist and 12 commonplace books of "Cotmania", should rest in his native city. *Cotmania & Mr Kitson* is as much a tribute to this great champion of Cotman as to the artist himself.

Appropriately, Cotman produced some of his most outstanding and innovative work in Yorkshire. W. His Yorkshire haven was at Brandsby with the Cholmeley family. Brandsby was the scene of the happiest hours in what proved to be a life plagued by ill-health, depression and disappointment. It had been the young Harriet Cholmeley who coined the term "Cotmania" in a poem of 1803, sent to "dear Cotty".

"Near Brandsby" offers a taste of what is to come. The subject of the sketch is straightforward enough: a clump of slender trees beside a field gate. What is daring is Cotman's bold simplification of form, and a palette restricted to a close tonal harmony of grey, olive-green and buff with foliage and shrubs translated into blocks of flat, muted colour. The interplay of dark tones silhouetted against light brings depth and life to the landscape.

The same earth colours and compositional devices are found in the panorama of Barnard Castle from Towler Hill, and Bignall Banks on the Greta. Leeds has the pencil sketch as well as the watercolour of the latter, and the two sheets reveal Cotman's relative faithfulness to "that fickle Dame" Nature. For the finished watercolour the artist has reduced the detail and heightened the drama – adding the three birds flying across the dark foliage of what has become a ravine in the foreground, and emphasising the angularity of the clouds and streaming sunlight.

Moving out of the first decade of the 19th century and on to studies of Norfolk and Normandy, one laments Cotman's decision to pursue antiquarian and topographical publishing projects, and to expand his teaching practice, at the expense of his art. There is nothing here to compare with the great Greta, Duncombe Park and Brandsby watercolours, although the monochrome studies of Blakeney and the bold geometries of the Domfront crags are undeniably impressive.

The Greta watercolours had not been well received at the 1806 Royal Academy, and few were sold during his lifetime. Cotman was to die in penury and close to despair, his work having made little or no impact on his contemporaries. *As Kitson bleakly commented,* there was so little demand for Cotman's watercolours that no one bothered faking them.

★

Nearby Temple Newsam House presents its fourth exhibition devoted to neglected aspects of historic interiors. "Country House Lighting 1660-1890" and its accompanying catalogue offer a fascinating blend of social and design history in a stately progress through every kind of fitting – whether for candles, oil, gas or electricity, grand or humble – evolved in man's quest for effective artificial light. Until January 10, and at Brighton Art Gallery, January 30-March 14.

"Cotmania & Mr Kitson", sponsored by Watmoughs (Holdings) and Christie's, continues at Leeds City Art Gallery until February 24

Theatre

Black comedy in 'Grace'

"It's an honour to meet you," says the Rev Neal Hoffmann, a prosperous American evangelist, to Ruth Hartstone, an impoverished Englishwoman who is about to sell him her family estate. Welcoming him with stately courtesy, she simply says "Yes."

The battlelines are already drawn; but what *is* the battle? Ruth cannot afford to stay in the family home, and is selling up for two million. Hoffman and his Enterprise Faith team, by contrast, are not only ruthlessly evangelical and American, *they are also relentlessly* profit-oriented and Philistine. They want to buy the Hartstone home because a miracle happened there 40 years ago, at the deathbed of Ruth's sister Grace. Hoffman now plans to base his Enterprise *Faith* there and there to film his account of Grace's story.

A black comedy ensues, along Evelyn Waugh or Angus Wilson lines. The Hoffman crew is a ludicrous lot, including Joanna, a Sloane actress who pursues Ruth's young companion, Freddy, with hopes that he is the gamekeeper for her: "Very D.H.Lawrence!" She is, however, being secretly bonked by Hoffman's English agent Gavin Driver. Hoffman's wife, a soul in torment for many reasons, has renounced her genuine literary talent to write wretched scripts for Enterprise Faith. Meanwhile, there is also a skeleton in the Hartstone family cupboard. But will Ruth reveal it?

The playwright is Doug Lucie, who has written other "darkly funny" plays. The comedy here is *acute, and so is* some of the characterisation – notably Mrs Hoffmann. But Lucie weighs the moral scales against the Americans to preposterous extremes. They and their Americanophile colleagues *take evangelism, Phi*listinism, Republicanism, Thatcherism and charlatanism to extremes. They also demonstrate, in passing, gross male chauvinism and anti-liberalism, plus subtle fattism and racism. Ruth and Freddy, however, combine their religious scepticism with charity, industry, *socialism and (eventually)* honesty. The contrast between the two sides is too drastic to be either persuasive or fun.

The play was also surely written about three years ago. . Though it is officially 1992, no-one refers to a recession. Ruth and Freddy do voice an interesting kind of despair about Britain, but this is simply old-school pessimism *(viz.* E. Waugh and A. Wilson, *passim).*

Line by line the play is so entertaining, and so well delivered, that it enthrals you while you watch. What weaknesses it has grow on you *gradually*, and hit you afterwards. This is not the fault of Mike Bradwell's sure direction; nor of Sue Plummer's elegant designs; nor of the cast.

The most interesting characters are subsidiary – Mrs Hoffman, Joanna, Freddy – and, excellently though they are played by Kate Fahy, Emma Lewis and Ben Thomas, they are not fully developed. Kristin Thomas, in her professional debut, is awesomely perfect as the born-again gospel-singing actress Felicia. James Laurenson, *virtually unrecognisable*, does good work (apart from a few intrusive British syllables) as Hoffman, but the role is something of a stereotype. Likewise Anna Massey is an ideal Ruth – cynical, genteel, precise, dowdy – *but the part* does not return the compliment. It is not subtle enough to stretch her.

Alastair Macaulay

At the Hampstead Theatre until January 2

Alastair Muir

James Laurenson and Anna Massey: not stretched as Hoffman and Ruth

Richard III travels south

A coachload of peasants and upstarts has arrived from Yorkshire and taken over the Riverside Studios for a production of *Richard III*. They wear clogs, pronounce "you" as "yer" and "lover" as "luvver". The men are clothed in a strange collection of evening dress and garish drape jackets. The women resemble a mixture of tarts and char ladies.

But do not be deceived. Off-stage, they probably speak the Queen's English and are not nearly as averse to the south *as they pretend. Their Richard III* is among the most pulsating you are likely to see.

There are not many subtleties in it, but that may be because there are not many subtleties in *Richard III*. Instead there is a rattling good story briskly told. Barrie Rutter's Richard makes no plea for sympathy and no pretensions to hidden depths. He comes across as an out-and-out villain played by a northern stand-up comic who nevertheless has the capacity to charm, especially the ladies. His main trait, apart from his physical deformity, is the enthusiasm with which the villainy is pursued. At the end he is beaten to death with staves by practically the entire cast. He receives the blows without a *whimper.*

Rutter is the director as well as the king. He is also the founder of Northern Broadsides, established in Bradford in 1990 to give more northern bite to the British theatre. *Richard III* was a sell-out at this year's Hull Festival.

The bite is there in abundance; so, remarkably, is the pace. Here is Shakespeare with a strong dash of Fred Trueman. The clogs come into their own in the final stages when the rival armies perform a clog dance in the build-up to the battle. It is like the natives beating the tom-toms; the excitement is palpable.

Riverside is an exceptionally good place for Rutter's style. The large stage is even broader than it is deep. The back is a *bare brick wall. There are no* southern sophistications like playing around with the lighting and there are virtually no props.

Rutter adds novelties of his own. The two young princes, for example, do not look particularly young, despite their short trousers and school caps. This avoids conventional sweetness and pathos (though it does not entirely fit with the text in the description of their murder).

Richard's deformity is confined to an almost permanently immobile left arm with the hand in the trouser pocket and a slightly twisted left leg. He wears a clog on his left foot and an ordinary shoe on his right. Yet when on of his nephews suddenly jumps on his *shoulders for a piggy-back*, there is a huge cry of pain. There has been a hint of this moments before when Richard senses that a piggy-back is what the boy wants. These are almost his only visible feelings in the play: they are the more striking for being physical rather than emotional.

Why women succumb so easily and quickly to this monster who they know has killed their nearest and dearest is a question only Shakespeare could answer. Rutter does not have to try. He just gets on with the show at a cracking pace. Then, when Richard is dead, there is a silence of about two minutes in which the men slowly take off their clogs before the final lines are spoken. This is one of the surprises of this production for these Yorkshiremen are nothing if not professional; many of them are graduates of the Royal Shakespeare Com*pany and the National Theatre* who have returned to their home county. It is a pleasure to have them back in London, however briefly. They run until January 9.

Malcolm Rutherford

Riverside Studios (081) 748 3354

Gissing's 'Odd Women'

A nostalgic batch of old Remington typewriters appear as part of the setting at the Royal Exchange, Manchester, for Michael Meyer's adaptation of George Gissing's feminist novel *The Odd Women.*

At least one sturdy machine is still in good working-order *as we see when Sorcha Cusack*, playing Mary Barfoot, bashes out a letter on it. Mary and her colleague Rhoda Nunn (Lorraine Ashbourne) run an establishment where young women are taught how to type. These are "the odd women" of the title – women who have failed to find husbands to keep them. Barfoot and Nunn aim to give their pupils a better deal in the harsh economic climate of Victorian London than to become nursemaids or shop-assistants – or just wither away as invalids and/or alcoholics among the genteel poor.

It was a remarkably prescient book when it first appeared in 1893, and in spite of its period flavour still seems topical. It would be hard to think of anyone better qualified than Michael Meyer, the translator of Ibsen, to bring it to the stage. Gissing had indeed read Ibsen in German and much admired him, sharing his view of the plight of many contemporary women but not, alas, his sense of dramatic economy. Meyer has to be content with a loose episodic narrative broken up into short scenes, with the stage*crew working over-time haul*ing sofas and sideboards on and off.

But once this gradual build-up is accepted, the piece – in Braham Murray's production in the round – has considerable fascination. We observe one of the budding stenographers, Monica Madden (Lucy Scott), settle instead for the domestic life in the shape of marriage to an exceptionally dreary middle-aged man, Edmund Widdowson (Sean Arnold) whose only virtue is his bank balance, more than enough to keep her in the style to which she has hitherto been unaccustomed.

As soon as they are married he reveals a nasty possessiveness precipitating her into an affair with an artist she meets at the Royal Academy Summer exhibition. The pace now quickens as Widdowson rejects his erring wife. Meanwhile her lover's friend Everard Barfoot (Paul Higgins) becomes enamoured of Rhoda Nunn, the dedicated female emancipator and typing instructress. Will his well-born masculine confidence and virility succeed in shattering her idealistic defences? The *conflict anticipates the dramas* of Shaw.

Lorriane Ashbourne has too simplistically negative a view of her complex role for these scenes to work with maximum effectiveness. Lucy Scott is more successful in developing Monica's potential and there is good work by Susan Tordoff and Tilly Tremayne as her spinster sisters. The whole production should gain the Gissing cult some more converts. As a brilliant classics scholar of Owens College (Manchester University) Gissing was expelled, part of the over-harsh punishment for a theft of which he was convicted. This production helps to make amends.

Anthony Curtis

At the Royal Exchange Manchester until December 12

Concert/**David Murray**

New Torke double-act

Commissioned by the London Sinfonietta with South Bank Centre funds, Michael Torke's *Monday and Tuesday* had its premiere on Tuesday at the Queen Elizabeth Hall. In fact it is two pieces, but built upon a single ground-plan.

The title is meant to invoke the mundane similarity of one day to the next, with their local differences. Both pieces are in D, more or less, and more or less in motorised 4/4 time (with many sideslips), and the material is put through the same patterns of rotation and fragmenting. But the basic chordal stuff of the music is slightly different – "Tuesday" is distinctly more chromatic, which lends it darker shadows and extra sonorous depths; so the matched pair strikes intriguing sparks.

The usual Torke fingerprints are all there, but in particularly high relief. The incessant, frenetic syncopations are more ingenious than ever, the arching tunes which grow upon the chord-sequences more evasively appealing. The pressure is regularly lightened by little carolling duets and such for the winds. An incisive piano (Torke's own instrument) serves as monitor; vibraphones at either side of the platform mostly lend support and emphasis, like the under-favoured string quintet.

For some people it will be *thoroughly rebarbative, but I* found *Monday and Tuesday* exhilarating, clever and funny, like all the best Torke. Lothar Zagrosek conducted it with the same attentive precision he bestowed on every work in a superlative Sinfonietta programme, disparate though they were. Lutoslawski's *Chain 1*, written for the band, sounded tauter than ever, and still wittier; Ferneyhough's *Carceri d'Invenzione I* rather more opaque and surly.

In Hans Abrahamsen's *Märchenbilder*, six linked "fairy-tale pictures", Zagrosek exposed some powerful dramatic shudders that have not been so plain before. Birtwistle's *Silbury Air* is rock-like, unbudgeable, and remains forbiddingly impressive. Among the band's inspired roster of commissioned pieces, these are treasures.

INTERNATIONAL ARTS GUIDE

The new Ludwig museum in Koblenz adds yet another to the many showcases for the Ludwig collection dotted around northern Europe. The Deutschherrenhaus, a former Benedictine monastery built in 1306, has been adapted to house a changing selection of postwar art, with special emphasis on French artists.

The inaugural exhibition, which runs till March 15, shows French art since 1950 under the title Atelier de France, including work by the Nouveaux Realistes and Picasso.

One of the themes of the museum *is the interaction of* different schools of art: plans for the future include hanging Abstract Expressionism alongside the School of Nice. The small permanent collection includes works by Stella, Jasper Johns and Rauschenberg.

The Ludwig collection - the creation of Irene and Peter Ludwig, whose fortune came from chocolate manufacturing - has been growing at the rate of one work per day since the 1960s.

To display their collection of everything from Islamic ceramics to the Russian avant-garde, they have made substantial long-term loans as well as opening their own museums, the best known of which is in Cologne. Their last project, the Ludwig Forum für internationale Kunst, opened in July last year in a large converted umbrella factory in Aachen to show contemporary art from all five continents.

EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum North Netherlandish Art 1580-1620: 350 masterpieces, including paintings, prints, silver, sculpture and tapestries, reflecting the sudden development of *Amsterdam's* prosperity and the blossoming of the arts. Ends March 7. Also Discarding the Brush: Gao Qipei (1660-1734) and the Art of Chinese finger painting. Ends Feb 28. Also Chiaroscuro Woodcuts: Hendrick Goltzius (1558-1617) and his time, highlighting a less well-known facet of the great Dutch draughtsman and engraver. Ends Jan 10. Closed Mon

Van Gogh Museum *Glasgow* 1900: a survey of art and design from the city's heyday, with examples of the Glasgow School of Painting and the work of Charles Rennie Mackintosh. Ends Feb 7. Daily

ANTWERP

Musee Royal des Beaux-Arts From Brueghel to Rubens: the Golden Century of Flemish Painting. An overview of Flemish baroque painting 1550-1650, focusing on the importance of Antwerp as a major centre for trade and artistic patronage when it was still part of the Hapsburg Empire. The exhibition charts the development of still life, genre and landscape painting, the changing fashions of portraiture and the role of art in a period of political and economic flux. Artists represented include van Dyck, Jordaens and Snyder. Ends March 8. Closed Mon

ATHENS

Deste Foundation for Contemporary Art Post Human: the work of 36 international artists of the younger generation. Ends Feb 14

BARCELONA

Palau de la Virreina *Moments* of Abstraction: a study of the development of abstract art in the Netherlands in the 20th century, with works by 17 artists. Ends Dec 27. Daily

Museu Picasso Picasso: the Ludwig Collection. A set of 180 paintings, drawings, sculptures, ceramics and engravings. Ends Jan 31. Closed Mon (Carrer Montcada 15-19)

Fundacio Joan Miro Gilbert and *George: The Cosmological* Pictures. 25 large-format pieces produced in 1989 by a pair of British artists who started working together in the 1960s. Ends Jan 10. Closed Mon

BASLE

Kunstmuseum *Gustav Stettler* and Max Kampf: paintings and drawings by two of the most influential Basle-based artists this century. Ends Feb 7. Also Jürg Kreienbühl (b1932): paintings, drawings and prints by the Basle artist, evoking down-and-out life in Paris in the 1950s and 1960s. Ends Jan 3. Daily

BERLIN

Neue Nationalgalerie Pablo Picasso: After Guernica. An exhibition of 90 paintings, 60 drawings and ten sculptures representing his later work, with a special focus on the 1950s. Ends Feb 21. Closed Mon

Wannsee-Villa Max Liebermann (1847-1935): 35 paintings, watercolours and drawings by Germany's principal impressionist, all from private collections. Ends Dec 15. Closed Sun (tel 805 3242)

Martin-Gropius-Bau America *1492-1992: a vast survey of* American culture from the time of Columbus' voyage of discovery to the present day. Ends Jan 3. Closed Mon

Nationalgalerie Art in Germany 1905-37: more than 140 paintings and sculptures by *Dix, Klee*, Munch and many others. Ends Jan 3. Closed Mon and Tues

COLOGNE

Diözesanmuseum Vaticana - liturgy and devotion in Medieval *times: a Vatican loan of 88 rare* manuscripts of extraordinary quality, ranging from a 6th century *codex purpureus* to an Antiphonal belonging to the Medici pope Clement VII. Among more than 40 pre-13th century *manuscripts on show are the* famous Carolingian Lorsch Gospel, the Byzantine bible of Pope Leo and the Menologion of Basileos II. The collection also includes the 1310 Breviary of Blanche de France; the starting point of the Franco-Flemish and Italian schools of illumination. Ends Jan 10

THE HAGUE

Mauritshuis The Mystery of a Ball Unravelled: the technical and historical investigation of a Flemish painting. An exhibition resulting from the museum's study of the Ball at the Court of Isabella and Albert by Frans Francken II, showing that this portrait of the Brussels court around 1610 originated in various phases. Ends Feb 21. Closed Mon

LONDON

Royal Academy of Arts Sickert: 134 works from collections *worldwide. Ends Feb 14. Daily*

National Gallery Munch: The Frieze of Life. Advance booking through First Call 071-497 9977. Ends Feb 7. Titian's Portrait of a Young Man, acknowledged as the most beautiful male portrait by Titian in private ownership, is now on show under a loan agreement with Halifax trustees. Daily

MALAGA

Archbishop's Palace Picasso *Clásico: this exhibition, in* Picasso's birthplace, brings together 100 drawings, etchings and sculptures examining the impact of myth and legend, poetry and drama on his art. Ends Jan 11

MARTIGNY

Fondation Pierre Gianadda Ben Nicholson: retrospective of the British abstract painter, showing his development from poetical still-lifes to landscapes and finally to monumental reliefs. The exhibition includes 45 paintings and 25 etchings, and is particularly strong in the larger, later works which the artist created during his second residency in Switzerland 1958-71. Ends Jan 24. Daily

NEW YORK

Museum of Modern Art Matisse. Ends Jan 12. Closed Wed (Admission by timed-entry tickets: call Ticketmaster 212-307 4545)

Metropolitan Museum of Art The Royal City of Susa: Ancient Near Eastern Treasures in the Louvre. Ends March 7. Also Masterworks from Lille: 100 paintings and drawings spanning the period from the Renaissance to the 19th *century, including celebrated* works by Rubens, Goya, Delacroix, David, Courbet and others. Ends Jan 17. Closed Mon

Guggenheim Museum Robert Rauschenberg, the early 1950s. Ends Jan 24. The SoHo site has *the set of murals which Chagall* painted for Moscow's Jewish Theatre in 1920. Ends Jan 17. The main museum is closed on Thurs, the SoHo site on Tues

Whitney Museum of American Art *The Geometric Tradition in* 20th century American Art. Ends Feb 14. Also Agnes Martin: 80th birthday retrospective. Ends Jan 31. Closed Mon

PARIS

Musée d'Art Moderne de la Ville de Paris *Figures du Moderne:* 450 works by Kandinsky, Franz Marc, Nolde and other Expressionists. Ends March 14. Closed Mon, late opening Wed (11 ave du President Wilson)

Musée d'Orsay Sisley. Ends Jan 31. Closed Mon, late opening Thurs (quai Anatole France)

Grand Palais Picasso et les Choses. Ends Dec 28. Closed Tues, late opening Wed (ave du General Eisenhower)

Louvre Byzance: 400 ivories, silks, enamels, manuscripts, icons and goldsmiths' work showing the influence of Hellenistic, Christian and imperial traditions in Byzantine art. Ends Feb 1. Closed Tues (Hall Napoleon)

STOCKHOLM

Moderna Museet Léger and the Nordic countries: 60 works by the French Cubist dating from the period 1914-38, when he travelled widely in Scandanavia. *Ends Jan 6. Closed Mon*

Nationalmuseum Rembrandt and His Age: 190 paintings by the Dutch master and his large circle of pupils. Ends Jan 6. Closed Mon

ZURICH

Federal Institute of Technology Night-pieces: 60 prints illustrating how artists have been inspired by darkness and its contrast with light, from early 16th century works by Lucas *van Leyden and Dürer to the* present day. Ends Feb 12. Closed Sat and Sun

FINANCIAL TIMES
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The Edinburgh agenda

SELDOM CAN the mismatch between the challenges facing the European Community and its capacity to act on them have been as glaring as at today's Edinburgh summit. Yet seldom has there been a greater need for EC leaders to cut through the tangle of detail surrounding them. Only if they settle their immediate disagreements - problems that can either be solved fairly easily or cannot be avoided any longer - will they be able next year to focus on what is really important.

The list of issues which Mr John Major and his colleagues have left off the Edinburgh agenda is striking. They are unlikely to be in a position to launch a "growth package" that would make more than a symbolic difference. They will not attempt to reform the European Monetary System. They will leave the Gatt deal on one side. They will not discuss Mr Jacques Attali's far-sighted proposal for a pan-European free trade area. There is just a chance they will summon up the courage to override Greek objections to the recognition of Macedonia, but they will not discuss any action in Bosnia on the scale needed to halt the explosion of Europe's worst refugee crisis since the 1940s. And they will respond to German pleas for a sharing of this burden only by endorsing plans already agreed among their interior ministers, under which most refugees will be returned to the first "safe" country they reached - usually one already overwhelmed by numbers and lacking either resources or institutions to handle them.

Stop short

By contrast they will hail the achievement of the single market on January 1, though without agreeing on the abolition of frontier checks on the movement of people. They will issue a declaration on subsidiarity and transparency, probably deleting a few directives from the statute book to show they are in earnest, but will stop short of opening the EC's legislature (the Council of Ministers) to public scrutiny. They will agree on an all-round increase in the numbers of the European Parliament, and will no doubt stitch up a horsetrader's bargain on the siting of new EC institutions.

They may even agree to start negotiations with those Efta countries still seeking full membership, since Chancellor Helmut Kohl has apparently persuaded President François Mitterrand to waive his insistence that Maastricht must first be ratified by all 12 existing members. But that agreement depends on resolution of one of the two issues that do have to be settled at this summit, namely the EC's spending ceilings for the next seven years. Spain will block enlargement until it is satisfied on that issue, and so far it is not satisfied with the offers made by the main net contributor countries, Britain and Germany; while Britain is at odds with other net contributors over its own rebate.

Diabolical ingenuity

On that point Mr Major will probably get his way, weak though his case seems to most of his partners, because any diminution of the rebate would put paid to his hopes of getting Maastricht through the House of Commons. On the rest of the budget there will be an unseemly wrangle, but it should not be an insoluble one.

The other issue that simply cannot be ducked is the "Danish problem". Here British and EC lawyers have been performing feats of diabolical ingenuity to devise a "legally binding" formula which is supposed to let the Danes ratify the treaty while being exempted from most of its provisions, and yet not require re-ratification by everyone else. The danger of such a formula is that others - possibly Britain, probably some of the would-be new members - will seek to invoke the Danish precedent, although one can argue that all Denmark is doing is to invoke the precedent already set by British opt-outs negotiated a year ago.

In any case, that risk can no longer be avoided if the treaty in its present form is to be saved at all. The best hope is that the formula will be accepted by all, and that both Britain and Denmark will then move as fast as possible to a decision by their respective constitutional procedures, not prolonging the agony with a ridiculous game of Gaston and Alphonse. Europe can live with the treaty or if necessary without. What it cannot afford is to spend another year haggling over the small print.

Economics and energy prices

ANYONE UNDER the illusion that the furore over the future of the British coal is capable of simple resolution would do well to read the report published yesterday by Professor Stephen Littlechild, director general of the Office of Electricity Regulation.

Its complex tabulations and reasoning about the wisdom of the electricity industry's so-called "dash for gas" serve to illustrate how difficult it is to be confident about judgments which by definition involve guesswork about the likely course of fuel prices over very long periods.

Prof Littlechild's view is that in signing up for substantial quantities of gas-fired electric power, Britain's regional electricity companies did the right thing. He argues that the price they will pay for their gas is lower than the price they could have obtained in seeking more coal-fired capacity via the two big national generators, National Power and PowerGen. Prof Littlechild is also sympathetic to the argument of the regional companies that, faced with the National Power-PowerGen duopoly, it is in their interest to open up additional sources of generation.

Offer's calculations were instantly challenged yesterday by National Power and others, but those who lack the specialist knowledge to do their own arithmetic are likely to conclude that Offer's figures are the least partisan and most trustworthy available. Offer's critics maintain that the regulator also has a vested interest in diversifying ownership in electric power generation and hence in backing the dash for gas.

Indispensable tool

The immediate point for the government, as it approaches the end of its review of the October decision to close 31 coal mines, is that it should now discount the gas issue in its reassessment of coal's future. Unless government can be satisfied that Prof Littlechild has got his numbers wrong, the option of mothballing or delaying completion of gas-fired capacity is out.

The underlying point is that, whatever the difficulties, economic analysis of the kind published yesterday by Prof Littlechild is an indispensable tool of energy policymaking. It is one of the more disgraceful aspects of British energy policy over the years that it has seldom, if ever, been based upon rigorous work of this sort.

Uncompetitive prices

Instead, politicians have preferred to lurch from project to project, arguing pointlessly about whether energy policy needs to exist at all (yes, says the Labour party; no, said the Thatcherites.) The danger with the first view is that it quickly turns into a command economy, with politicians responding to short-term pressures and making bad decisions which result in uncompetitive energy prices. This was British energy policy from 1945 to 1979. The legacy of the latter (British energy policy 1979-1992) is a series of major decisions on privatisation, new pits and power station projects taken without any attempt to understand and allow for the economic links between them. In energy, a decision about electricity is also inescapably a decision about coal, nuclear, gas and oil.

If Britain is to retain, as it must in the interests of a competitive economy, its momentum towards regulated markets in energy, it is essential that transparent data about prices are available both to the market, the regulator and to the politicians who will still be required to take some decisions, whether for social, environmental or security reasons.

It may well be that in response to the rebellion on its back benches the government will decide that it wishes to maintain or even increase the level of subsidy to the coal industry in order to save miners' jobs. If so, ministers should ensure that at the very least the price of this transaction is visible: either as direct subsidy from general taxation or a quantified levy on electricity consumers. There will be powerful instincts to the contrary. Transparent subsidies attract the attention of the European Commission, and electricity consumers have proved to be obligingly supine in accepting the existing toll to pay for uneconomic nuclear power. But when it comes to energy policy, the oldest advice is the best: let there be light.

Riding the rollercoaster

Martin Wolf asks whether the EC's Edinburgh summit can help revive the performance of Europe's ailing economy

From Eurosclerosis to Europhoria and back again; this has been the history of the European Community since the beginning of the 1980s. It has been an exciting rollercoaster ride. But will the Edinburgh summit bring the next rise any closer?

Good economic performance is not optional. It is the EC's lifeblood. Periods of rapid growth, such as the 1950s, 1960s, early 1970s and late 1980s, have also been times of advance. Growth encourages governments to take risks with integration, and integration in turn promotes growth. It is probably no accident that 1984 was when the British budget rebate was settled, when thoughts turned to the Single European Act (SEA) and the programme to complete the single market, and also when the EC economy returned to reasonable economic growth once more.

The EC economy as a whole expanded at $2\frac{1}{4}$ per cent a year or more in every year between 1984 and 1990 (see chart). During those years, the SEA was conceived and ratified. The single-market programme was put in place. The exchange rate mechanism became both more stable, with realignments virtually ceasing after January 1987, and more universal. In a last burst of Euro-enthusiasm, a treaty on economic and monetary union was conceived, negotiated and agreed at Maastricht.

None of these achievements was particularly easy. Economic success made them possible.

The good EC performance in the seven fat years between 1984 and 1990 was partly a reflection of the worldwide recovery, which began in the US. The weakness of the dollar from 1985 was also expansionary, since it induced monetary loosening in countries whose monetary authorities tried to support the American currency.

Improved EC performance also reflected changes specific to the EC. Successful reduction in inflation in the first half of the 1980s (see chart) made possible renewed growth. Meanwhile, the single-market programme was part of a wider European process of liberalisation and structural reform. As for the programme itself, the most important fruit may have already been picked. The rapid expansion of EC business investment that occurred during the second half of the 1980s was partly in anticipation of the completion of the single market.

Yet European economic performance was not an unalloyed success. Aggregate economic growth was reasonably satisfactory for a rich region with low population growth. But many worried about the failure of the EC to take a leading place on the technological frontier in industries like computer manufacture and consumer electronics. Whether they are right to worry, only time can tell.

One problem did become more obvious. Eurosclerosis - the market rigidities thought to be inhibiting EC growth - may have been exaggerated, but the sclerosis of the EC labour market was not (see chart). The EC-wide unemployment rate last peaked at just under 11 per cent in 1986, only a little above the US peak. But US unemployment fell to 5.3 per cent in 1989 and total US employment grew by 18 per cent between 1979 and 1991. By contrast, EC unemployment only fell to 8.4 per cent in 1990 before rising to 9.8 per cent in October, while total EC employment grew only 7 per cent between 1979 and 19991.

With this important exception, the EC economy still looked healthy a couple of years ago. This is no longer the case. The EC economy is struggling, not least Germany's, despite what should have been the great opportunity provided by German unification and despite the absence in most of continental Europe of the overhang of private-sector debt that has depressed the Anglo-Saxon economies, as well as Scandinavia and Japan.

What has gone wrong?

First of all, the EC's problems must not be exaggerated. Economic slowdowns are inevitable. This said, some explanations are required, especially when the recessions of 1973-76 and 1979-83 had the specific proximate causes of the oil price shocks. Fatalistic appeal to very long term, Kondratieff, cycles is not persuasive.

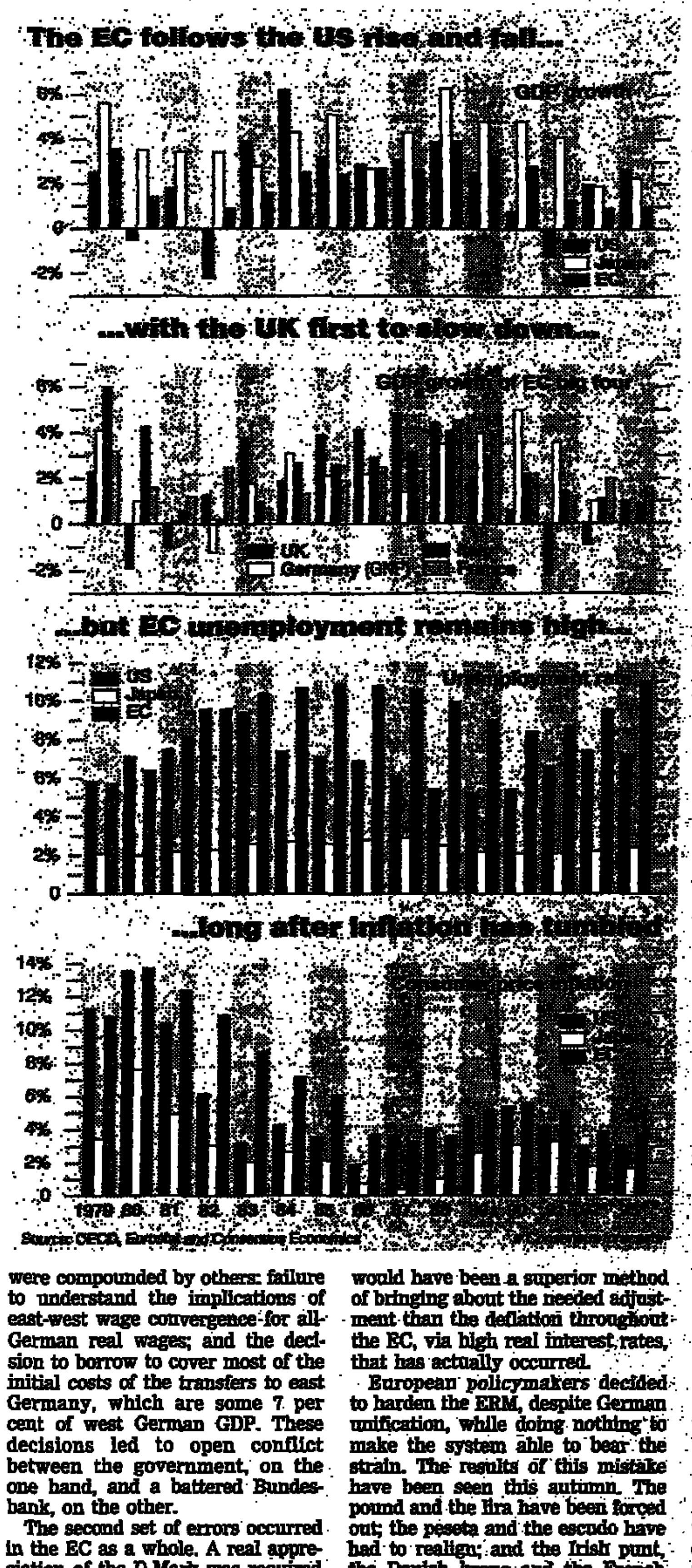
In the second place, there was a significant deterioration in the international environment. Under George Bush, the US had its poorest performance since President Hoover, with identical results for the hapless incumbent. The debt deflation that weakened the US economy has also undermined the performance of other economies. Combined, they account for two-thirds of OECD economic output.

Yet even the external environment is not a sufficient explanation for worsening EC performance. The EC's gross domestic product of $6.2 trillion (million million) in 1991 was even greater than that of the US, while its ratio of external merchandise exports to GDP was only 8.4 per cent. The EC ought to be able to grow under its own steam. It certainly should be able to do so as well as the open developing countries of east Asia, which are doing just that.

Third and most important have been internal economic developments. The UK is the debt-deflating cuckoo in the EC nest. Meanwhile, in Italy, public-sector excess has made up for private sector prudence. It is no accident that these two countries, which account for a third of EC GDP, are in severe economic difficulties and have seen their currencies forced out of the ERM.

Yet what has happened to the UK and Italy has not been the EC's most important internal development. That honour must be accorded to German unification, an event that is remaking both the country at the heart of Europe and Europe itself. Unfortunately, German unification has been met by a number of serious mistakes that share a common feature: the attempt to subordinate economic forces to political dictation.

The first set of errors was made in Germany itself: the commitment to one-for-one monetary conversion and the acceptance of premature wage convergence. These mistakes were compounded by others: failure to understand the implications of east-west wage convergence for all-German real wages; and the decision to borrow to cover most of the initial costs of the transfers to east Germany, which are some 7 per cent of west German GDP. These decisions led to open conflict between the government, on the one hand, and a battered Bundesbank, on the other.



Source: OECD, Eurostat and Consensus Economics

The second set of errors occurred in the EC as a whole. A real appreciation of the D-Mark was required to facilitate absorption of resources within the German economy. A D-Mark realignment or, better still, temporary flotation of the D-Mark would have been a superior method of bringing about the needed adjustment than the deflation throughout the EC, via high real interest rates, that has actually occurred.

European policymakers decided to harden the ERM, despite German unification, while doing nothing to make the system able to bear the strain. The results of this mistake have been seen this autumn. The pound and the lira have been forced out; the peseta and the escudo have had to realign; and the Irish punt, the Danish krone and the French franc have come under pressure.

If these are the problems, what are the solutions?

The urgency of the cyclical problem must not be exaggerated. The Bundesbank is almost certain to lower short-term interest rates over the next 12 months. It may even do so quite sharply. The US economy is recovering as well. By 1995 the EC economy is likely to look far healthier than it does now. These prospects should themselves ease market pressure, particularly via further weakening of the D-Mark, which is needed to improve long-term German competitiveness and improve its rapidly deteriorating cyclical position.

Little can be expected of the EC's growth package. The Commission argues that symbolic action is needed to boost confidence. Greater confidence is, indeed, required. But economies are not in poor shape because confidence is poor. Confidence is poor because economies are in poor shape. The case for more EC infrastructure spending, sound enough in itself, should not be linked to the EC's cyclical problems, since cyclically motivated infrastructure spending is almost always mistimed.

Something more substantial, such as the stimulus of 1 per cent of EC GDP proposed by the Commission, will not happen, not least because Germany, which bears deep scars from when it agreed to be a "locomotive" in the late 1970s, is opposed. Furthermore, the budgetary difficulties of Italy, the UK, Germany and Spain (which together account for more than two-thirds of EC GDP) suggest that a substantial co-ordinated fiscal stimulus would be unwise. It might even be counterproductive, though such a stimulus might make sense for France.

This does not mean that the EC is doomed to sit and twiddle its thumbs.

What the EC most needs is monetary easing. Under present arrangements, a member state can enjoy that only by leaving the ERM altogether or by waiting for the Bundesbank to move. Belabouring the Bundesbank is counterproductive. Changing ERM arrangements is not. The ERM without exchange controls has proved itself half-baked, especially subjected to the stresses of German unification and the inability of the German government to make its policies more communautaire.

If there is to be economic and monetary union, those who make the grade should start as soon as possible. Waiting around for years - at least four, according to the Maastricht treaty, and probably more - will ensure more accidents. Alternatively - or at the same time, but for different countries - the ERM should be made more flexible. UK short-term interest rates are now below German ones because the pound is expected to appreciate. With temporarily wider margins, perhaps for just the next year or so, other countries could enjoy the same luxury.

The second, unhappily more intractable, policy issue is the EC labour market. It will be impossible to sustain a stable ERM, let alone Emu, if the performance of labour markets continues to deteriorate. The problem did not go away in the fat years. It has returned to haunt the lean ones. It must be a principal focus of policymakers' attention.

These are not the questions that will keep the EC policymakers up over the weekend. But the implication of their limited agenda are also clear. Their deliberations may determine where the EC goes politically. They will contribute little, directly, to its prosperity.

Joe Rogaly

The fairytale crisis

Every so often Britain reveals itself as the land of no logic, nil reason and nonsense. It is in a flap this week about the constitutional implications of the decision by the Prince and Princess of Wales to lead separate lives. Even by English standards this is woolly.

While there is a monarchy there are no constitutional implications arising from the matrimonial difficulties of the royal family. Someone will succeed Queen Elizabeth. If it is not Prince Charles, it will be Prince William; if not the latter, then the next in line. Whoever it is will presumably have been trained to fulfil the contemporary functions of the office, which are fourfold. The monarch must support good causes. She or he must create an atmosphere in which courtiers and the recipients or purchasers of honours may flatter themselves. The institution must at best enchant and at worst entertain the populace. Finally, politicians delude themselves that, under the Crown, they are working within a rational framework.

In theory there should be no questioning of who is to occupy such a hereditary post. In practice the abdication of 1937 diluted the hereditary principle. The government sat as a secret court of morals over the monarch and cast him out. We therefore endure an English muddle. Lineal descent determines the heir, but his or her personal behaviour must be vetted. The test changes with time; if, as is to be hoped, the Queen continues in good health for another decade or more, the fitness of her eldest son to replace her will be determined by whatever is the prevailing popular opinion in the early decades of the next century. Constitutional lore will be altered to suit the moment.

That's it. Once through the hoop, the occupant of the throne serves as a symbol of continuity and unity, a genuinely useful purpose. In short, the debate about whether the Princess can be Queen if she is leading a life separate from her husband is actually about private matters and individual careers.

There are plenty of real constitutional issues to be discussed, but it is not the English way to take notice of these. Just two weeks ago Lord Chief Justice Taylor called for the incorporation of the European Convention of Human Rights into British law.

"Our ratification of the convention obliges us in the end to accept it," said Lord Taylor, "but our refusal to incorporate means acceptance occurs only after a decision in Strasbourg, much delay and humiliation."

It is not the English way to take notice of the many real constitutional issues to be discussed

Lord Justice Bingham, Master of the Rolls, is of the same mind. You could hardly imagine two more distinguished advocates of what most proponents of constitutional reform have long supported. Yet the response of Lord Mackay, the Lord Chancellor, was a politicians' brush-off. The rest is silence.

This echoes the uncanny stillness that has descended on all genuine constitutional debate since April 9. On that day the Conservatives were returned to office for the fourth time in a row. Not surprisingly, they are great admirers of our constitution. Under it, the Tory party always wins.

For the time being their organised complacency has vanquished even Scottish nationalism. The party of that name is quiescent. Labour's shadow Scottish secretary, Mr Tom Clarke, is on sick leave. The Liberal Democrats are focusing on Bosnia. The stage is thus set for the highly centralised British government to trumpet its allegiance to subsidiarity in Edinburgh today without a blush. If anyone was so rude as to ask why the Celts should not have self-government, the Scottish secretary, Mr Ian Lang, would be ready to reply. Mr Lang, whose sometimes downbeat public image belies his innate political verve, would doubtless respond that the Conservatives are devolving power directly to the people, through opted-out schools, hospitals and the like. Yes, but the stuffing is being knocked out of that one by the Treasury's already evident determination to take back the initial bribe money given to hospital trusts, GP fundholders and grant maintained schools.

That leaves Mr Lang with two further arguments against Scottish devolution. The first is that it should not come about in order to satisfy European Community needs; the second that strengthening regions weakens nation-states which in turn strengthens Brussels. Thinking of this kind sets the seal on the "stock-taking" about Scotland promised by John Major before the election. It is a useful little phrase: "stock-taking" helps Mr Lang win arguments, fiscal or otherwise, on his fiefdom's behalf. It won the summit conference for Edinburgh, on the ground that the Scots must be made to feel that notice is being taken of them. It may achieve modifications of local government and parliamentary committee structures.

What it will not change is the constitution. Only a proper crisis would do that. Nothing that has happened since April 9, including this week's dramatic end to a fairy-tale, constitutes such a cataclysm.

Boris Yeltsin may be risking all in calling for a referendum on Russia's future, says **John Lloyd**

Man of the people throws down the gauntlet

Mr Boris Yeltsin is in battledress once more: his enemies are clear and his standard raised. Yesterday morning, he stood before the hostile Congress of Russian People's Deputies – as he had before the Communist party central committee and the Soviet parliament – and in his stentorian voice, laid down the lines of his defiance. In such situations, he has gambled and won. Now, however, he is putting not just his career on the table, but his country as well.

His call yesterday for a referendum to decide whether the president or Congress should rule Russia appears to destroy at a stroke weeks of negotiations and concessions to the central ground. Where he had been careful to present himself as a president of all the people, and had seemed to lean heavily towards the centrist Civic Union in a search for a broader base, he has now abruptly broken with the politics of interest group manoeuvre in favour of a direct appeal to the people.

Why did he change course? According to deputies close to Mr Yeltsin, his advisers, since the last Congress met in April, have presented him with the option of going over the heads of the obstructive Congress and its permanent body, the Supreme Soviet. Until now, he has said that he did not want to provoke a battle with the deputies.

When Mr Yeltsin met a group of supportive deputies on Saturday morning, before the vote on a series of constitutional amendments which would have sharply reduced his authority, he indicated that he was ready for such an appeal if the package passed. In the event, the most damaging amendments were narrowly defeated. But the vote on Wednesday which blocked Mr Yeltsin's attempt to confirm his acting prime minister, Mr Yegor Gaidar, as the permanent premier seemed to have provided a substitute trigger.

Mr Yeltsin and the Congress reached their impasse for two reasons. First, the Congress, which had opened last week, voted for a motion which roundly condemned his economic reform programme as "against the peoples' interests" and demanded changes to economic policy far more sweeping than those Mr Yeltsin and his government were prepared to contemplate. These included a demand for a release of more credit to industry and an immediate end to Russia's fall in production.

Such demands were of particular concern because of the constraints which Mr Yeltsin's reform programme is already facing. He has been forced by the power of the industrial lobbies and the fear of mass unemployment to extend financial support to the ailing state enterprises. This, and his disagreements with the central bank, have added to strong inflationary pressures.

The second – and the more pressing – reason for the current impasse is the constitutional mess in which the country has wallowed since the collapse of the Soviet Union. Unusually among post-communist states, Russia has neither a new constitution nor a newly elected assembly. Its constitution is a patched-up version of Soviet law, and the "parliament" preserves the two-level Congress and Supreme Soviet. In both, deputies were elected by popular vote in 1990. Most of the candidates were selected by the Communist party and its various front organisations.

In this uncertain situation the powers and responsibilities of the president, legislature, government and judicial authorities are unclear. Indeed, much of the business of the current legislative session has been an attempt by the Congress to gain control of the government.

Mr Yeltsin has now chosen to break this impasse. By doing so he has plunged Russian society into a conflict which his opponents believe will be bloody and which will certainly lead to further political polarisation. General Alexander Rutskoi, the vice president, made clear in a tense speech to the Congress yesterday that he had broken with the president and in doing so was implicitly putting himself at the head of the opposition to him.

Ready for battle: from left, Yegor Gaidar, President Boris Yeltsin and Alexander Rutskoi

Together with his colleagues in the Civic Union, he appealed for a compromise to which a president who has shown himself to be most uncompromising may refuse to agree.

Having made his choice, Mr Yeltsin is faced with several urgent questions.

First, how solid is his base? His radical support is smaller than it was when it stood for the cause of Russia against the crumbling Soviet Union. His personal stock has fallen as the economic crisis has deepened. His government, well supported abroad, has shallow roots at home and has only recently sought to build relationships in industry. Where before there was no obvious alternative, now at least Gen Rutskoi is a potential challenger. This does not mean that Mr Yeltsin is doomed to fall or to agree to a humiliating climbdown, but the path he has chosen promises to be the most difficult.

Not all Yeltsin's opponents can be dismissed as reactionaries or unbowed communists. Some are against him because their constituents are suffering from the effects of reform

Second, how strong is his opposition? In the Congress, it is overwhelming. All of his opponents among the deputies cannot be dismissed as reactionaries or unbowed communists. Some are against him because their constituents are suffering from the effects of reform. In the security apparatus and the army, there is a strong tug of loyalties. Mr Victor Barannikov, the security minister, yesterday gave a speech which included alarmist passages about the external threat from foreign security services and the interior threat of organised crime. In the context, it sounded like a warning from the Soviet past.

However, the opposition is also deeply divided. The centre ground, on which Gen Rutskoi and his fellow leaders in the Civic Union are seeking to stand, claims to be interested in reform and stability. The hardliners, clustered around the National Salvation Front, with its patriotic and communist sympathies, appear interested in neither. The two groupings have had talks but failed to reach any agreements. However, figures such as Mr Nikolai Travkin, leader of the Democratic Party, could act as compromise leaders.

Finally, can reform be continued? Mr Gaidar, who Mr Yeltsin said would remain in office, was typically businesslike yesterday, saying that talks would continue with the international financial institutions, and that the privatisation and other reform programmes proceed as planned. Yet he knows better than any other how flickering reform's flame is, and what a gust it is now having to withstand as, once again, Russia is plunged into crisis.

Mr Yeltsin has, therefore, dramatically raised the stakes in the contest for political power. But he has not wholly cut himself off from retreat. Last night, Mr Sergei Shakhrai, a close aide and a deputy prime minister, was negotiating with Mr Yuri Yarov, a deputy speaker of the parliament, on the possible grounds for compromise.

In the confrontational world of Russian politics, it is possible that Mr Yeltsin acted as he did in order to frighten the Congress into acquiescence. But he has vastly strained the fragile system by doing so. Resolution by compromise would now seem to demand the humiliation of either Congress or the president. If neither backs down, the stage is set for a winter of political struggle which puts economic reform, political resolution and the fate of the country itself at hazard, once more.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Ballet was enthralling, and not misguided

From Mr Peter Carter.

Sir, I read with incredulity the review by Clement Crisp on The Tales of Beatrix Potter (Arts, December 7).

I have recently watched Swan Lake in awe and been moved to tears at Mayerling (which I saw twice). I found the production of The Dream and Beatrix Potter simply marvellous.

Rather than viewing the "staging as misguided and unworthy", I sat enthralled, watching these "animals" dance. Moreover, at the Saturday evening performance, I noticed only a handful of children; so how Mr Crisp concluded that "It is . . . a ploy by Covent Garden to bring in an audience on the tugging arms of children" I will never know.

The house was packed to bursting point (I had to queue at 9.30am on Saturday to obtain a ticket) and the final applause tumultuous.

Perhaps Mr Crisp should have talked, as I did, to "your average punter"; he would have found that most people had a fantastic evening's entertainment and hence "the attentions of Rentokil" may be better applied to his column.

Peter Carter,
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EC's 'use-it-or-lose-it' air slots decision a real breakthrough

From Mr Stephen B Hornsby.

Sir, One is certainly entitled to beware of UK ministers bearing gifts from Brussels. However, the first hard-won step (discussed in your editorial "Air Waves", December 9) in regulating the allocation of take-off and landing slots does actually amount to the breakthrough that Mr John MacGregor, UK transport secretary, claims it to be. In emphasising that slots are privileges that may ultimately be withdrawn in the Community interest and are not national rights which are inviolate under the Treaty of Rome, the Council of Ministers has brought the legal position in the air transport sector more into line with the present Commission's policy. That is, in relation to certain intellectual property rights and the exclusive rights of public enterprises – rights hitherto considered untouchable unless actually discriminatory and protectionist.

Clearly much still needs to be done; the "use-it-or-lose-it" principle in relation to slots falls some way short of recent more radical measures such as effectively striking down (albeit belatedly) the UK TV listings copyright and abolishing some exclusive rights in the telecommunications sector. However, in taking one more step towards a free (as opposed to a common) market, the Community has confirmed its relatively recent policy of attacking restrictions of competition where they really originate, namely within the member states and *not* the private sector.

It is to be hoped that, subsidiarity notwithstanding, the seeds that have been planted lately under the present Commission will not fall on stony ground in the next.

Stephen B Hornsby,
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The roots of an underclass

From Mr Geof Rayner.

Sir, Your editorial on the zigzags of government policy on inner cities ("Urban Policy", December 7) was, for the most part, bang on target. Over-stretched, over-stressed local authorities attempting to provide some hope to the most deprived populations are to receive less financial support.

But it isn't helpful to confuse the problem with the people. When you speak of the underclass as a "formidable challenge to western democracies", aren't you forgetting that membership of this group is rather more of a challenge for the people themselves? The much-talked-about underclass is composed of people who have given up the search for work because there isn't any, who are homeless because council accommodation has been sold off, and who are in some cases denied income support because they are too young. The government fails to recognise that the underclass has been created by conscious, incremental acts of policy. Sadly, it may be much harder to unmake these problems than it was to invent them.

Geof Rayner,
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A worrying analysis

From Mr Alain Deckers.

Sir, Mr Bijan-Daniel Khezri's analysis of the Swiss debate about European integration (Letters, December 9) is somewhat worrying.

He asserts that "Europe's political class and business leaders have failed to make the . . . notion of subsidiarity and supranationality accessible to the public . . ." Faced with this problem, a conventional liberal might opt for a campaign of public education. According to Mr Khezri, however, this would be to no avail since the issues at hand "simply surpass the comprehensive capabilities of the average masses".

To suggest the Swiss rejected the EEA because they did not understand what it meant is patronising. Further, to suggest that people should not be asked for their opinion because they cannot understand what is at issue smacks of elitism (one shudders at the thought of students of Etudes Internationales using terms such as "the average masses").

It is time we took democracy a little bit more seriously.

Alain Deckers,
student,
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Unwarranted excess?

From Dr M E R Robinson.

Sir, Can anyone do anything about the bid-offer spread of warrant market makers? Surely it is excessive at typically 20 per cent, often more, rarely less.

Failing that, can anyone tell me how to become a warrant market maker?

M E R Robinson,
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Statistical barrier to growth

From Mr David W Edgington.

Sir, I was interested to read "Difficult marriage of Customs" (December 7). My own business of 23 years' standing imports motor spares which are sold on the home market or exported. It is a small but very high-volume business operated by myself, my wife and one employee. During this recession we have been forced to work many hours each week, harder than ever before, just to stay in business. On top of this we now have to find extra time in order to produce statistical records for the government – on pain of criminal penalties. We are told to export our way out of the recession but the paperwork requirement for exporters will ensure that I keep well under the exporter's Intrastat limit even if it means losing business. Surely the idea of joining the EC was to make trading easier and not to stifle it. Ironically it will be far easier to export to countries outside the EC!

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Cadbury must not lead to creation of 'two-tier' shareholders

From Mr Donald B Butcher.

Sir, Mr Makinson (Letters December 4) does an ill-service to both improving corporate governance and democratic principles with his lofty dismissal of the role of individual shareholders. He suggests that corporate governance should remain the responsibility of institutions and that individual shareholders will continue to waste their time with "conversations over tea and a bun at the annual meeting". Isn't he a little out of tune with the times when we have charters galore aimed at bolstering the rights of the individual? We might even have a shareholders' charter one day.

If corporate governance is poor and profits decline it is the individual investor's pocket which suffers either immediately via reduced dividends/share values or, if he chooses an institution to invest for him, via reduced policy bonuses etc. Institutional investors' pockets, if a meaningful concept, are subject to different forces. But institutional shareholders also have corporate governance problems just like the companies in which they invest. That doesn't diminish the vital role they play, it just puts into context the important role which the individual shareholder ought also to perform – but often doesn't. As Cadbury says "if too many AGMs are at present an opportunity missed, this is because shareholders (whatever the size of their holding) do not make the most of them and, in some cases, boards do not encourage them."

Institutional and individual shareholders both wish to invest in successful and profitable companies. Better corporate governance should contribute to that aim. This association believes institutional and individual shareholders should seek ways of working together to achieve that aim and we will be trying to bring this about in a number of ways. We need the support of individual shareholders to do this and to respond constructively to the Cadbury recommendations.

Cadbury has turned his face against two-tier boards and we should turn our faces against "two-tier" shareholders.

Donald B Butcher,
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OBSERVER

The cult of Ross Goobey

■ Is Alastair Ross Goobey, 46, finally about to outshine his famous dad, George, now 81, and former investment boss of the Imperial Tobacco Pension Fund?

It sounds like Alistair has landed the plum job of chief executive of Postel, the fund management operation that looks after some £20bn of investments for the British Telecom and Post Office pension schemes, and is probably the UK's second-largest manager of pension fund assets. The job was vacated when Andrew Threadgold decided to go off and seek his fortune in Australia.

Although Alastair is currently on what the City calls the sell side, as chief investment strategist of brokers James Capel, he has had extensive experience on the buy (or fund management) side at Courtaulds Pension Fund and at the independent fund management boutique Geoffrey Morley and Partners. He has also had two spells on attachment to the Treasury, most recently as special adviser to Norman Lamont in the run-up to the last election.

This could leave him with some divided loyalties. Lamont, after all, will need to sell something like £50bn of government bonds to balance the books in the next financial year.

On the other hand, Alastair Ross Goobey told a James Capel investment seminar yesterday that equities were a better prospect than bonds. "Buying bonds today is a very bad bet but I am sure we will all do it," he mused.

Landing Lee?

■ After 13 years at the controls of the once-ailing Chrysler car company, could Lee Iacocca, its high-profile chairman, be preparing for one last rescue mission?

There are rumours that the 68-year-old Iacocca has been approached by advisers involved in the restructuring of Trans World Airlines.

If the restructuring goes through as planned next year, the airline will be owned by its creditors and unions.

The top job, however, will become vacant because Carl Icahn, the former corporate raider who currently holds the bulk of TWA's shares, is bowing out as part of the deal.

So far, there has been no word on the subject from Iacocca HQ although the great man has not, apparently, been short of job offers after he quits Chrysler at the end of the month.

But the notion does raise some interesting possibilities. Would Iacocca – who starred in a series of Chrysler ads – appear on the nation's TV screens, flogging cheap fares, for example?

Shop talk

■ Insiders at Gateway's Bristol headquarters, who have had an unusually high turnover of bosses, have invented a nickname for the current incumbent, Alistair Mitchell-Innes, who has confessed that he will only serve as a stop-gap leader of the troubled grocery chain. Step forward Mr Holiday-Innes.

Blue line

■ The royal family's sense of public duty is reaching new heights – to the extent of giving their own blood.

A sample from the Duke of Edinburgh has enabled the Forensic Science Service to make some progress in identifying nine skeletons unearthed in eastern Russia last year.

The blood contained DNA which has been matched by home office experts with minute samples from

'I've been named in a royal divorce'

the remains, which it is thought may include those of Tsarina Alexandria and three of her children, executed by Bolsheviks in 1918.

Russian scientists asked the FSS for help because of its DNA expertise; the FSS duly asked Prince Philip for a blood sample. He is directly descended from the Tsarina through his mother; his grandmother Victoria was the Tsarina's sister.

The FSS yesterday expressed gratitude for the Duke's interest in its work. The British royals, in their turn, may find the investigation helpful in achieving a sense of proportion; whatever their current difficulties, popular feeling isn't going to run as high in 1992-93 Britain as it did in 1917-18 Russia.

Hot seat

■ Spare a thought for poor old Andrew Buxton, the embattled chief executive of Barclays Bank who's supposed to step into the chairman's seat at the end of the month.

Not only are the institutions gunning for him, but now one of his former minions, Martin Vander Weyer, is attacking him in the Spectator for inheriting the top job because of his family connections.

Buxton is a descendant of a union between Sir Thomas Foxwell Bt and a Miss Gurney of Norwich, and according to the article was passed over for the chairmanship last time round because of his youth. However, it was common gossip in the bank that Sir John Quinton was only supposed to be keeping "the seat warm for Andrew".

The peculiar hold of members of the bank's founding families on the the top jobs at Barclays has often been commented on. But Vander Weyer is better briefed than most. Until recently he worked at Barclays and his late father, Deryk, was deputy chairman when Sir Timothy Bevan was running the show.

It is often said that Sir Deryk, who revolutionised Barclays' marketing, would have made a better chairman than Sir Timothy Bevan, but never had a chance because he wasn't family.

No doubt this might have coloured young Vander Weyer's thinking. Even so, if the institutions really are intent on shaking up the Barclays' boardroom they might question whether Sir Timothy really is earning his keep after 24 years on the board.

Taking off

■ What is the new national bird of America? Why, the building crane of course, the state bird of Texas in the go-go years of the 1980s.

Now the transition team thinks the beast ought to be revived and allowed to spread its wings further afield given the arrival of Lloyd Bentsen – Texan and ardent lobbyist on behalf of real estate loopholes during his distinguished senatorial career – at Treasury.

FINANCIAL TIMES
Friday December 11 1992

Forces may stay for up to a year as the UN seeks a local administration

Troops clash with Somali gunmen

By Julian Ozanne in Mogadishu, Michael Holman in Nairobi and Michael Littlejohns in New York

US MARINES and French foreign legionnaire paratroopers exchanged fire with freelance gunmen and bandits last night in the Somali capital Mogadishu, leaving at least two Somalis dead and 14 injured.

The clash, the most serious so far, came as Mr Herman Cohen, US assistant secretary of state for African affairs, told a Nairobi news conference that some of the US-led force being established in Somalia could stay there for up to a year.

"US military involvement will be limited", said Mr Cohen, "but troops will liaise with the UN with a view to establishing some form of governmental authority." It would take "between six and 12 months" to establish a new administration in Somalia.

The US force in Mogadishu said it had arranged face-to-face talks between the two most important rival warlords whose power struggle has reduced the city to rubble and lawlessness. Gen Mohamed Farar Aideed and Mr Ali Mahdi Mohamed agreed to meet for the first time in 13 months today at the gutted US Embassy compound.

But Mr Robert Oakley, the US special envoy now in Somalia, was adamant that the US would not be involved "in drawing the possible political architecture for the future of Somalia".

In a television interview from Mogadishu, he said today's meeting was not "political" and was mostly designed to discuss immediate security-related issues. Somalia's future, he added, was "a UN mission" in which the US would offer what help it could but not, he implied, take the lead. One purpose of the meeting, he said, was to look into how best to get Somalis to turn in their weapons. He did not rule out house-to-house searches by the coalition forces, but hoped some less intrusive approach might work. Payment of bounties to those surrendering guns has also not been ruled out in Washington.

A member of the French Foreign Legion orders a Somali out of his car at a checkpoint near Mogadishu

Mr Boutros Boutros Ghali, the UN secretary general, said in New York that he was inviting Gen Aideed and Mr Mahdi to a further meeting, in Addis Ababa next month, in a new attempt at national reconciliation. Representatives of the clans and international aid officials who last week attended a UN-sponsored conference in the Ethiopian capital would also be asked to attend.

A UN official said a principal purpose of the meeting would be to arrange a subsequent international conference on Somalia.

The moves brought Somalia closer to the status of a United Nations trusteeship. This reflects the hardening belief that a political initiative must run in parallel with the relief exercise. The alternative, say African and other diplomats, is that Somalia would revert to violence as soon as the international force withdrew.

As the foreign soldiers imposed some order in Mogadishu, a US expeditionary force made a first deep penetration into the country to check out the 10,000 ft airstrip at the former Somali air force base of Baidogley, 110 miles from the capital. Aid agencies called on US forces to deploy rapidly into the large towns of Kismayo and Baidoa which have been engulfed in looting and clan warfare which have left at least 60 dead in the past four days.

THE LEX COLUMN

Target practice

The currency markets were right not to look to the Bundesbank for short-term comfort yesterday. Next year's money supply target range of 4.5 per cent to 6.5 per cent is a little more generous than this year, but with M3 growth in the final quarter of 1992 likely to come in between 9 per cent and 10 per cent, there is little immediate prospect of lower interest rates. The now familiar litany of worries – the budget, wage pressures and next month's VAT increase – also means the bank is unlikely to relent much before the end of the first quarter.

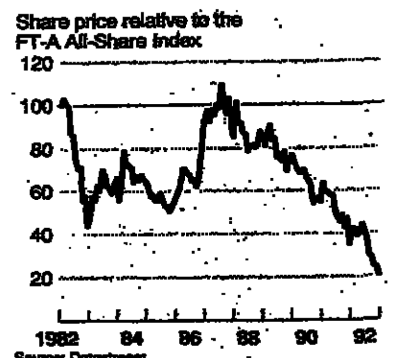
At some stage after that, declining growth may bring the money supply into line. Then the Bundesbank may be in a position to cut quite sharply. The D-Mark would weaken and the pressure would be off the ERM. As before, the problem for the system lies in getting from here to there. The task is harder now Norway has abandoned its informal link to the Ecu. It could become harder still if the Edinburgh summit fails to find a way of letting Denmark off the Maastricht hook.

The European authorities must be hoping Christmas torpor will deter another bout of speculation. Yesterday's French announcement of a money supply target broadly in line with that of Germany signals an intention for monetary policy to converge. That may help. So may yesterday's modest rate cuts in Belgium and the Netherlands, not to mention Germany's fixed rate repurchase operation which at least means money market rates will not rise this year. But it is touch and go, and the new year may see a different story.

FT-SE Index: 2726.5 (-24.2)

Pilkington

Share price relative to the FT-A All-Share Index



Source: Datastream

Pilkington

There is no doubt that Pilkington is still suffering from the nasty volume swings that periodically disfigure its industry, as yesterday's 70 per cent fall in interim profits grimly testifies. Yet the exasperating aspect of Pilkington's recent history lies in its unhappy ability to exacerbate its plight. There is no evidence from yesterday's statement that the arrival of Mr Roger Leverton has yet made much difference.

By strolling into the downturn with excessive borrowings, costs and capacity, Pilkington only deepened its cyclical downswing. By cutting capital expenditure and sacrificing the Sola spectacles business in its desperate determination to hold the dividend, Mr Leverton is in danger of dulling the coming upturn. Even assuming Pilkington receives £200m for Sola, the sale is likely to be dilutive and the money will make only a small dent in likely year-end borrowings of £800m as Pilkington continues to bleed cash. Dealing with that problem should have required a much more rigorous rationalisation. Instead Pilkington seems intent on decorating the Christmas tree while the roof needs repair.

In time, the huge operational gearing of the business should mean that profits surge when recovery arrives, although overcapacity may complicate the sums. The benign effects of devaluation and Pilkington's severe squeeze on working capital may yet buy the company time to save its face. However if there is no improvement by next June, Pilkington's decision to maintain its dividend will leave it looking pretty reckless.

UK electricity

National Power and PowerGen must be starting to sweat. Professor Littlechild's exoneration of the regional electricity companies for buying gas-fired power is not bad news in itself. Those most involved in the dash for gas, notably Southern Electric and Norweb, will doubtless be relieved. The generators are big enough to stand the competition. They can, however, hardly be pleased to find the regulator digging deeper to see whether the coal-fired contracts which they offered as an alternative to gas fairly reflected costs.

In one respect the generators – and the coal lobby for that matter – might justifiably feel hard done by. In looking at coal-fired power contracts covering peak demand against gas-fired contracts covering only basic demand, the regulator is not comparing like with like. One can only trust the full report promised by the end of January takes this point on board. Regardless of the arithmetic, though, Professor Littlechild appears set on a collision course with the generators.

Since the generators enjoy freedom from price-based regulation, the market is right to be nervous. The results of an investigation into the electricity pool price are already due before Christmas. Yesterday's missive opens a second front. If National Power or PowerGen are found to be overcharging through either contracts or the pool, Professor Littlechild will have little choice but to act. At best that means intervention on prices, at worst a reference to the Monopolies and Mergers Commission.

Guinness

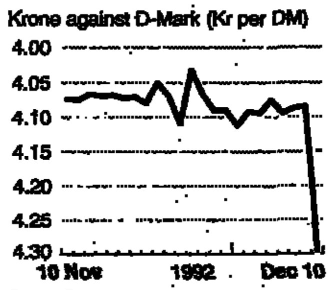
There is a slightly unnerving message for the market as a whole in the 9 per cent fall in Guinness's share price over the past two days. The company is starting to feel the chill spreading through the European economy. September's devaluation will do little for earnings for the time being because export revenues were hedged, a factor which also protected Guinness from the weakness of the dollar earlier in the year. But European consumers, particularly in Germany, are spending less on spirits. Added to that, Guinness has a particular problem in Spain where the rationalisation of its brewery acquisitions is proving more difficult than expected. It has lost both market share and margin in a declining beer market.

The upshot is that Guinness may, for once, see a decline in profits this year and the chances of it generating over £1bn in 1993 are remote. This realisation, prompted by a wire agency interview on Wednesday, took the market by surprise, so the share price fall could be seen as a one-off adjustment to lowered expectations which may not have much further to run.

The harder question is whether Guinness has lost its magic touch for good. There is no reason why recession should have blighted the long-term growth prospects of the international spirits sector, but declining inflation may leave consumers in the industrial world more price conscious for a while. With earnings growth next year unlikely to match the market average, it is hard to see the share price outperforming even from a lower base.

Norway

Krone against D-Mark (Kr per DM)



Source: Datastream

Norwegian devaluation

Continued from Page 1

expectations that the Bundesbank is likely over the next few months to succumb to pressure both from inside and outside Germany for an easing in borrowing conditions.

Speculation on this score strengthened after the Bundesbank raised its 1993 target range for M3 money supply growth to between 4.5 per cent and 6.5 per cent, from the 1992 target of between 3.5 per cent and 5.5 per cent. That was interpreted as signalling a slight easing in the Bundesbank's tough anti-inflationary stance.

The D-Mark gained ground slightly against the franc, which closed in London at FFr3.413 from FFr3.411 the previous night. This is less than 2 centimes off its ERM floor of FFr3.43.

Norway's decision on the krone had a profound effect on investor sentiment, because it had previously put much political weight on tying its currency to the main currencies in the ERM as a prelude to possible entry.

The Danish krone also approached its ERM floor of DKr3.9012 against the D-Mark but rallied to close virtually unchanged on the day at DKr3.8820.

Against a dollar strengthened by rumours of a possible coup in Russia, the D-Mark fell by just over half a pfennig, with the US currency quoted at the finish of European trading at DM1.5765.

Signalling confidence that the Bundesbank may soon yield on interest rates, the Dutch central bank cut its secured loans rate, which applies to commercial banks' borrowing, to 8.25 per cent from 8.50 per cent. The Belgian central bank cut its emergency lending rate to 10.25 per cent from 10.5 per cent.

Carmakers agree to publish comparative prices across EC

By Andrew Hill in Brussels

CARMAKERS will have to publish twice-yearly lists of comparative prices of selected new vehicles in European Community countries under a plan agreed with the European Commission. The first list will be published next May.

The plan – to be announced by the Commission next week – is aimed at helping consumers shop for car bargains across EC borders. Sir Leon Brittan, EC competition commissioner, believes it could also increase pressure on manufacturers to bring EC car prices into line, and make it more difficult for dealers to discriminate against foreign buyers.

According to a survey published last month by Beuc, the European consumers' organisation, the price of certain new models can differ by more than 40 per cent between countries. Manufacturers point out that prices are mostly within the 12 per cent band recommended by the Commission.

The Commission plan is not legally binding, but EC officials indicated yesterday that if car makers do not co-operate they will risk losing their jealously guarded right to distribute cars through exclusive dealerships when the system comes up for review in mid-1995.

Every manufacturer which sells cars in the Community will have to select a representative model from each part of its product range and publish the prices in 10 EC countries.

The carmakers will also have to supply information about the price of five common options – anti-lock braking systems, air conditioning, right-hand drive, automatic gearbox and power steering – and details of warranty, roadside assistance options and delivery costs.

Prices, published in May and November every year, will be shown both before and after tax, in Ecus and local currency. Comparative figures for Denmark and Greece – where car tax of more than 100 per cent distorts the selling price – will not be included.

The Commission agreed to drop its original demand that manufacturers supply information about all models and options on the grounds that it would be too time-consuming for manufacturers and confusing for consumers.

Manufacturers are still likely to argue that realistic comparison is difficult because dealers in some countries are offer large discounts on list prices.

Britain and Germany approve revised Eurofighter project

By David White in Brussels

BRITAIN and Germany last night patched up their six-month quarrel over the future of the European Fighter Aircraft, enabling work to continue on a revised project.

Mr Volker Rühe, German defence minister, agreed that Bonn would take part alongside the UK, Italy and Spain in completing development work.

The agreement, reached during a Nato ministerial meeting, brings relief to aerospace and electronics manufacturers in the four countries, where tens of thousands of jobs are staked on the £20bn ($31bn) fighter programme.

The project was thrown into doubt after Germany announced in June that it would not proceed with producing the aircraft as it then stood. Its continued participation in development was also in question.

The modified project will use the same airframe and engines that the industrial partners have been working on since 1988, but will permit individual nations to install different standards of equipment.

The agreement is seen as a climbdown by Mr Rühe, who previously insisted on a fundamental redesign.

Mr Ruhe accepted yesterday that a wholly new aircraft was ruled out because more than half the £8bn development money had already been spent.

The remaining funds could now be directed into a more suitable programme and development work could be slowed down, Mr Rühe said.

"I think everybody is happy there's a chance for a cheaper aircraft," he added. He also said he wanted the project to be open to other European partners.

He ruled out any German decision on production of the aircraft before 1995 and said the Bundestag would have to vote on it.

However, Britain and Italy want no more than a two-year delay in the programme, with first deliveries of aircraft in the year 2000. Germany and Spain do not want deliveries until 2002.

German officials said further studies were now required in order to translate revised military requirements into new technical specifications.

Major calls for deal to end EC paralysis

Continued from Page 1

latest proposals were due to be discussed by Mr Major and Mr Mitterrand at dinner last night and will be at the centre of the discussions by heads of government this afternoon.

One of the biggest hurdles to be overcome is the demand by Spain, backed by Germany, for a higher "own resources" ceiling for the EC budget.

Britain yesterday made new proposals under which more cash would be channelled to the poorer EC countries, such as Spain, Portugal, Greece and Ireland. But these received a cool initial reception from Mr Felipe Gonzalez, the Spanish prime minister. He said they appeared to be unacceptable, but he still had to study them in detail.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	C	6	43	Frankfurt	Dr	4	39	Majorca	F	11	52	Oporto	S	13	55	Tenerife	F	20	68
				Brussels	C	3	37	Geneva	C	4	39	Malaga	F	16	61	Oslo	C	-2	28	Tokyo	S	17	63
				Budapest	R	4	39	Gibraltar	F	13	55	Malta	F	17	63	Paris	C	4	39	Toronto †	F	0	32
Ajaccio	F	14	57	Buenos Aires	R	27	80	Glasgow	C	8	46	Manila	C	31	88	Prague	C	3	37	Tunis	C	14	57
Algiers	F	17	63	Cairo	S	23	73	Helsinki	F	2	36	Melbourne	S	24	75	Reykjavik	Sl	1	34	Valencia	S	15	59
Amsterdam	S	5	41	Cape Town	S	23	73	Hong Kong	F	26	79	Mexico City	F	24	75	Rhodes	Dr	17	63	Venice	Dr	10	50
Athens	S	19	66	Caracas	F	30	86	Innsbruck	C	2	36	Miami †	S	22	72	Rio de Janeiro	C	30	86	Vienna	Dr	3	37
Bahrain	S	19	66	Casablanca †	S	17	63	Inverness	S	9	48	Milan	F	9	48	Rome	S	14	57	Warsaw	R	0	32
Bangkok	C	33	91	Chicago †	Sn	-1	30	Islamabad	F	19	66	Montreal †	S	-12	10	Salzburg	C	1	34	Washington †	Sn	-1	30
Barcelona	C	10	50	Cologne	C	3	37	Istanbul	F	13	55	Moscow	Sn	-2	28	S Francisco †	C	14	57	Zurich	C	2	36
Beijing	S	3	37	Copenhagen	C	5	41	Jakarta	R	31	88	Munich	Dr	1	34	Seoul	Sn	3	37				
Beirut	F	20	68	Corfu	T	12	[illegible]	Johannesburg	F	19	66	Nairobi				Singapore	F	30	86				
Belfast	C	5	41	Dallas †	S	3	[illegible]	Lisbon	S	15	59	Naples	F	14	57	Stockholm	C	1	34				
Belgrade	R	6	43	Dublin	F	8	46	London	C	6	43	Nassau	F	21	69	Strasbourg	C	3	37				
Berlin	C	4	39	Dubrovnik		–	–	Los Angeles †	S	10	50	New Delhi	S	22	72	Sydney	F	21	70				
Biarritz	C	8	46	Edinburgh	F	7	45	Luxembourg	C	1	34	New York †	C	-1	30	Taipei	F	23	73				
Bombay	S	30	86	Faro	C	16	61	Madeira	C	19	66	Nice	S	13	55	Tangier	F	14	57				
Bordeaux	C	6	43	Florence	F	10	50	Madrid	S	9	48	Nicosia	F	13	56	Tel Aviv	S	21	70				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Friday December 11 1992

INSIDE

Calpers fails to win RWE vote

Calpers, the big US pension fund, yesterday failed to persuade shareholders in RWE to remove the voting structure at Germany's eighth-biggest industrial group. After the meeting had been in progress for more than 10 hours, it looked certain that the local authorities which own 30 per cent of the group's shares but approximately 60 per cent of the votes, would vote against a motion calling for a move to a one-vote-one-share system. Page 23

Drinks companies mix results

Taunton Cider, floated on the Stock Exchange in July, reported a 32 per cent increase in first-half pro forma pre-tax profits. Eldridge Pope, the Dorset-based brewer, continued its recovery from 1990 losses on hotel and computer ventures with a 46 per cent increase in full-year pre-tax profits from £1.1m to £1.61m ($2.5m). Page 29

Software maker cuts staff

Borland International, the California personal computer software company, has cut its workforce by 15 per cent as the price war raging among personal computer manufacturers hits the software segment of the industry. Page 24

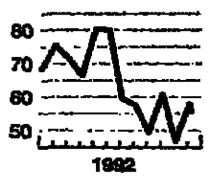
Chile woos multinationals

Corporate bankers in Chile are forging a new line of business by persuading multinationals to float their local subsidiaries on Santiago's buoyant stock exchange. Chilean banks want to transform Santiago into a financial hub for the Latin American operations of multinational companies. Page 24

Steel shares show their mettle

British Steel

Share price (pence)



Source: FT Graphite

Investors in European steel shares have had a rough time in recent months as the severity of the industry's problems has become increasingly apparent. British Steel's half-year dividend was omitted. Thyssen cut its dividend. Like the industry itself, steel shares are under pressure. Back Page

Miners pay the price of gold

Pressure for the Bolivian government and independent mining organisations to improve working conditions and safety records is intensifying after the disaster which earlier this week engulfed the Llipi gold camp in the Bolivian Andes. The death toll may never be known. But perhaps as many as 300 miners, their wives and children remain buried under 17 metres of mud and rubble. Page 30

Change to Eurotrack 100

From Monday December 21, Procordia A and B and Commerzbank will be included in the Eurotrack 100 index and Philips Electronics, Bancario San Paolo and CRH will be excluded. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Colonia Konzern	748	+	13	Bouygues	556	+	13
Heidelb Zem	830	+	10	Geophysique	665	+	15
Falls				Sommer-Allibert	1050	+	34
Asko	690	−	12.5	**Falls**			
DLW	405	−	11	Docs de France	381	−	13.8
Hochtief	960	−	10	Orcan	100	−	10.5
Karstadt	494	−	8.8	Paribas	339	−	14

NEW YORK ($)				TOKYO (Yen)			
Rises				**Rises**			
Chock Full	8⅜	+	⅜	Iwatsu Electric	320	+	29
Equitable	13⅛	+	⅝	Maruzen Showa	520	+	48
Metro Financial	16¾	+	1	Mitsui Wharf	560	+	50
Falls				Snow Brand			
Chrysler	32	−	1	Food	550	+	50
Gen Motors	32¼	−	1	TDF	260	+	25
Microsoft	89	−	2¼	Tokyo Cosmos	296	+	28

New York prices at 12.30pm

LONDON (Pence)							
Rises				Taunton Cider	138	+	8
ACT	436	+	15	**Falls**			
API	211	+	17	Arjo Wiggins	143	−	8
Albion	51	+	3	[illegible]	135	−	5
Arlen	77	+	2	GUS A	1618	−	35
Castle Comms	145	+	9	Guinness	478	−	24
Celestion	77	+	10	HSBC	471	−	15
[illegible] A	190	+	10	Hambros	219	−	11
Greg Stop A	118	+	43	Hunter Saphir	30	−	7
Johnson F Brown	43	+	3	Lonrho	75	−	4
Midlands Radio	118	+	4	Persimmon	177	−	11
Pilkington	87	+	3	Senior Eng	87	−	9
Ramco Oil	89	+	13				
[illegible]	32	+	3				

■ High overheads force broker to give up membership of Japanese stock exchange

County NatWest quits Tokyo market

By Emiko Terazono in Tokyo and Richard Waters in London

THE collapse of the Tokyo stock market yesterday claimed its most notable victim among foreign stockbrokers as County NatWest, the securities arm of National Westminster Bank, became the first to announce a total withdrawal from the market.

County will be the first foreign broker to give up its membership on the Tokyo Stock Exchange, which it obtained in 1988 after pressure had been put on the Japanese authorities by the UK government.

County's move comes as profits at Japanese and foreign brokers have been savaged by the slump of the Tokyo stock market. For the first-half to last September, the 25 foreign members of the TSE posted a 40 per cent fall in combined pre-tax profits to Y30bn ($242m). County reported a loss of Y2.57bn in the year to March.

Mr Scott Dobbie, vice-chairman of County NatWest Securities, said the level of business in Tokyo was not sufficient to cover high overhead costs. He said it was unlikely that Tokyo's stock market would return to the volumes and the profitability of the late 1980s. County's move will result in the loss of 70 out of 75 jobs.

Mr Minoru Nagaoka, president of the TSE, said he regretted County's decision to relinquish its seat on the exchange. Prudential Securities of the US recently realigned its Japanese equity operations, but said it would retain its TSE membership. Until now, other foreign brokers have also chosen to hold on to their memberships, which were only won after heavy political pressure.

County's withdrawal is also a sign of the failure by foreign brokers to instil in Japanese investors a taste for the research services used in Europe and the US. In the 1980s, western brokers claimed that their research approach would give them a strong position in selling Japanese stocks to local investors.

Most foreign brokers have decided to concentrate on trading derivatives, taking advantage of disparities between prices in the futures market and in the underlying stock markets. However, profitability of this business has also fallen. Daily trading of Nikkei 225 stock index futures plunged 48 per cent on the Osaka Stock Exchange in the six months to September.

NatWest opens in Italy, Page 26

Damage limitation in the heart of Paris

William Dawkins reports on the defence by French banks against the collapse in Parisian property

The French financial establishments' capacity to get itself out of a fix is facing its toughest test for years.

Banks and insurance companies are closing ranks in an attempt to reduce the damage from the up to FFr80bn ($15bn) of estimated doubtful debts in their property loan portfolios. The threat to their balance sheets is so serious that the government, owner of two of the three biggest banks and three top insurers, plans to announce measures by the end of next week to help the ailing property industry. These could also include some form of refinancing for the worst-hit bank lenders and investors.

France's property decline, which has already forced banks to make heavy provisions on dud loans, is happening for similar reasons to its equivalent in the US, Japan and Britain. However, the final outcome will be less catastrophic, partly because the market is less hard hit than elsewhere and because the decline has been concentrated on the capital.

Average rentals on Paris commercial property have dropped 20 per cent in three years, though the decline is less bad in the "Golden Triangle" around the Champs-Elysées. Today, the average commercial vacancy rate in the capital is only 6 per cent, rising to 12 per cent in the office district of La Défense.

The close ownership and business links between all those involved has also helped. "The fact that the market is operated in concert means that the risk of a catastrophic drop in values is very limited," says Mr David Robinson, partner in the Paris office of Richard Ellis, the property consultants. "The fundamental difference is that there is no such thing as a free independent developer here. They all have a very close relationship with their banks."

A property analyst says: "The banks are hardly going to pull the rug from under the developers, because they would only be pulling the rugs from under themselves. In many cases they are the developers. Thanks to this, Paris will not have an Olympia and York." Crédit Lyonnais, Paribas, Banque Nationale de Paris and Société Générale all have stakes in property developers, to which they have also lent heavily.

On the surface, French banks face a serious property headache. Estimates of their outstanding property loans vary widely from FFr250bn, by the Paris commercial court, to FFr400bn or FFr500bn, by Mr André Levy-Lang, chairman of Paribas, and Mr Gérard Worms, chairman of Suez. There are no centrally gathered figures.

Estimates of the losses they face also vary. Mr Worms and Mr Levy-Lang recently warned that banks could face losses of between FFr45bn and FFr70bn on their property loans, while Mr Didier Rougier, president of the commercial court, believes the final write-down could be as much as FFr80bn. Banks have already set aside FFr20bn of provisions for dud property loans against their profits, but that covers only half the damage, according to James Capel in Paris.

To make matters worse, this lending is concentrated in the hands of a few, with nearly FFr123bn outstanding from Banque Nationale de Paris, Crédit Lyonnais, Société Générale, Paribas and Suez alone. This contrasts with the UK, where foreign banks made more than half of property loans before the crisis hit, or the US where the damage was spread through the savings and loans institutions.

Heads have rolled among the unfortunates responsible for bad loans and investments. The past year has seen the departures of the head of Banque Indosuez's property development arm and the chairman of Banque Worms, the UAP insurance group subsidiary crippled by bad property loans.

French financial institutions have tried to defray or delay losses on property investments and loans by rescheduling some property loans; turning others into equity to be held by their property investment units; setting up sale and leasebacks; and occupying borrowers' empty buildings.

They have also offered potential tenants rent-free periods. Another sweetener is to offer soft loans to potential purchasers, as Indosuez has done with the NMPP building, which it bought from Hachette for FFr2.7bn in 1990, only to declare a FFr1bn provision on the building a year later. It is now trying to sell the building as eight lots, five of which have gone, with the help of a 5 per cent loan, to a Middle Eastern property developer who happens to have a stake in the bank.

Insurers, which have substantial property investment portfolios, have been busy recently exchanging Parisian office buildings at high valuations each other, worth several billion francs in the last month alone according to one institutional investor.

Typically the buildings concerned were last valued a decade ago, so the process enables insurers to register capital gains to cover losses on insurance claims on their banking businesses. Analysts suspect this might also help prop up property values, a theory denied by one leading insurer, who says it is a legitimate way of realising capital gains on long-held and undervalued properties.

Even so, several analysts fear that even after the recent write-offs, French banks and insurance companies could be carrying some of the property loans and investments they made at the peak of the upturn at the end of the 1980s at unrealistically high valuations.

They face the choice of declaring another round of heavy write-downs next year, or keeping them at current values until the property market recovers. "It's really a question of accepting the loss now or putting it off till another time," says Richard Ellis' Mr Robinson.

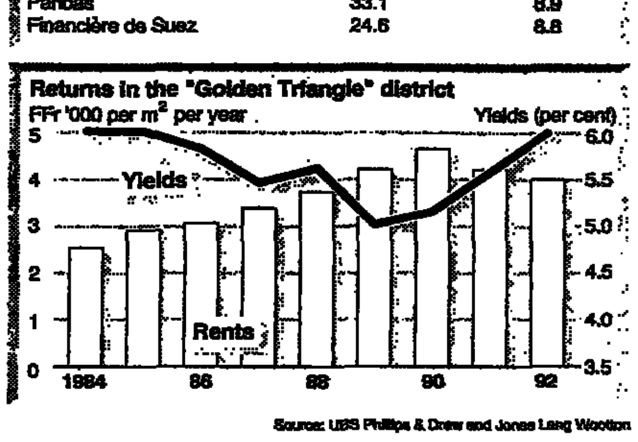
Paris property

La Défense, Paris

Lending to property developers

As at December 31st 1991	FFr bn	As % of French bank lending
Crédit Foncier France	6.2	1.8
Banque Nationale de Paris	25.0	3.2
Crédit Lyonnais	30.0	3.9
Société Générale	9.9	1.7
Paribas	33.1	6.9
Financière de Suez	24.6	8.8

Returns in the "Golden Triangle" district



Source: UBS Phillips & Drew and Jones Lang Wootton

Concern over Lonrho share deal

By Roland Rudd in London and Philip Gawith in Johannesburg

SHARES in Lonrho, the international trading group, yesterday fell 4p to 75p as investors indicated they would not be taking up shares in its rights issue because of uncertainty surrounding the deal with the German financier Mr Dieter Bock.

Shareholders also voiced concern about the group's rise in net debt to £947m ($1.4bn) and the fall in pre-tax profits, from £205m to £79m, for the year ended September 30.

Two of Lonrho's institutional shareholders said financial information given to Mr Bock should be made available to all shareholders.

Morgan Grenfell, which is advising Mr Bock, sought and obtained "pieces of information" from Lonrho which are not in the public domain. This was to enable Mr Bock to make a decision about whether to invest in Lonrho.

Mr Bock made it clear that he was then given a choice "to take or leave" half of the 15 per cent stake owned by Mr Tiny Rowland, Lonrho's chief executive, at 115p each – compared with 85p a share in the rights issue. Mr Bock said he thought he bought Mr Rowland's shares "at a resonable price".

However, one of Lonrho's institutional shareholders said: "We would like to know what information was given to Mr Bock for him to decide that 115p a share is a reasonable price to pay".

Mr Bock is to underwrite half the 200m shares in the 3-for-10 rights issue at 85p a share, take up the rights of Mr Rowland and buy his existing shares.

Mr Bock will end up with a maximum 19 per cent stake in Lonrho if no shareholders take up the rights issue. This will rise to 25 per cent when he buys the other half of Mr Rowland's 15 per cent stake in three year's time.

Meanwhile, Gencor, South Africa's second-biggest mining house, yesterday said it was still interested in buying Lonrho's Western Platinum mine in spite of the international trading group's deal with Mr Bock.

Although Gencor and Lonrho had been in merger talks, Mr Brian Gilbertson, Gencor's chairman, said he did not believe a takeover of Lonrho was the "natural route" for Gencor.

Rowland's Exit, Page 22
London Stock Exchange, Page 39

Pilkington pays dividend from reserves as interim loss deepens

By Maggie Urry in London

PILKINGTON, the UK-based glass group, surprised the London stock market by maintaining its 2.98p a share interim dividend, although the £22.9m ($35m) payment had to be made entirely from reserves. In all, the group recorded a £29.2m retained loss for the half-year to end September compared with a £15m loss. The shares rose 3p to 87p on relief that the payout had not been cut.

The group cut 1,500 jobs, and about another 4,000 will go within two years.

Group sales in the half-year were £1.2bn, down from £1.3bn, and pre-tax profits were £15.1m, down from £50.6m.

Sir Antony Pilkington, chairman, said: "We feel marginally more optimistic than we did. Everything we are seeing is trending in the right direction." In June the group cut its dividend and then Sir Antony said that there was no sign of a recovery in trading conditions.

Yesterday Sir Antony said that a decision on the total dividend would be made in June when annual results are announced.

The group also announced plans to sell Sola Group, its spectacle lens business, to cut borrowings which stood at £780m at September 30, up from £659m at the year-end, excluding £100m of finance leases. Sterling's fall added £50m to borrowings on translation of overseas debt.

After high levels of spending over recent years, the group now aimed to keep capital expenditure at 80 per cent of the depreciation charge, now £140m a year.

Analysts criticised the decision to hold the dividend, calling it imprudent. They said the planned disposal of Sola, which made a trading profit of £10m on sales of £85m in the half-year, was a matter of selling a good business to prop up the balance sheet. Analysts estimated Sola could fetch £150m to £200m.

Mr Roger Leverton, Pilkington's new chief executive, said the downward trend in glass prices had been less steep in the half-year, although prices were down 8 per cent between September 1991 and this September. He said a 1 percentage point movement in prices was worth £7.5m to profits.

He said there had been some improvement in the US, where a 9 per cent price rise for architectural glass in October was holding, and in Australia.

Lex, Page 20; Details, Page 27

Ahold president joins Philips

By Ronald van de Krol in Amsterdam

PHILIPS, the Dutch electronics company, has recruited Mr Pierre Everaert, president of the Ahold retailing group and one of the Netherlands' most respected managers, to join its five-member management board and an expanded 13-member group management committee.

The surprise appointment is due to take effect on March 1. Mr Everaert will be replaced at Ahold by Mr Cees van der Hoeven, who is currently finance director.

After joining the group committee, Mr Everaert, 53, will take over Mr Ype Bouwkamp's position on the management board when the latter retires on May 6. Company officials said that it had not yet been determined what Mr Everaert's specific responsibilities would be, and added that there could be a reshuffle of portfolios.

Mr Bouwkamp is responsible for Philips' national organisations outside Europe, among other duties.

Mr Everaert's knowledge of retailing and the US will be a welcome addition as Philips continues to grapple with a downturn in its key consumer electronics business.

The appointment of Mr Everaert is to be accompanied by the expansion of the 10-member group management committee to include three new members – the heads of the medical systems, domestic appliances and communications product groups.

Ahold, whose main business is operating supermarket chains in the US and the Netherlands, said it regretted the departure of Mr Everaert, a Belgian-born, naturalised US citizen who became the first person outside the Heijn family to head the group when he assumed the job in 1989. The Ahold supervisory board expressed confidence in Mr van der Hoeven and his fellow management board members, saying "their experience in the international retail business will assure the continuation of the strategy and the successful further development of the company".

Under Mr Everaert, whose previous career was spent largely at Goodyear and General Biscuits of the US, Ahold added a fourth US supermarket chain to its business and impressed analysts and the stock market for managing to withstand the increasingly difficult retailing conditions on both sides of the Atlantic.

LONRHO: ROWLAND'S EXIT

It is unclear what direction the company will take after Tiny, **Tony Jackson** reports

A departure wholly in character

IT IS wholly in character for Mr Tiny Rowland that his exit from Lonrho should be so hard to interpret.

It is unclear what direction the company will take when he is gone, or indeed who is to run it. It is also unclear how far the deal is good for Mr Rowland's loyal band of fellow shareholders.

The case for the deal is simply put.

Lonrho is issuing shares to Mr Bock at 85p. This is some 10p above the market price. Existing shareholders are therefore better off, particularly at a time when Lonrho is strapped for cash. Also, while some Lonrho shares are evidently worth 115p – the price Mr Bock is paying Mr Rowland – shareholders are being offered a rights issue at a mere 85p.

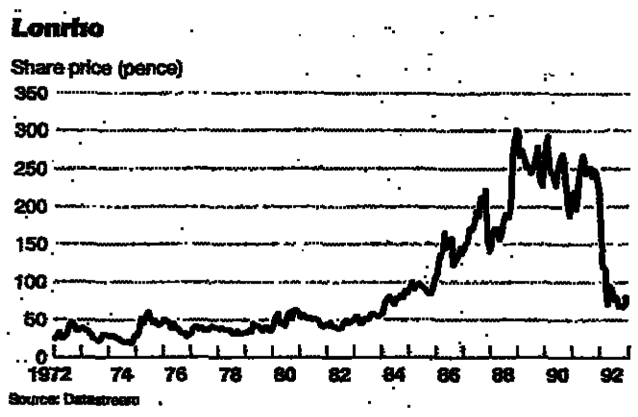
There are eminently respectable advisers to vouch for the deal: Deutsche Bank for Mr Bock, through its subsidiary Morgan Grenfell. Royal Bank of Scotland for Lonrho, through its subsidiary Charterhouse.

The case against is more involved, but not necessarily less persuasive.

The rights issue, being offered well above the market price, is designed to fail. It is a technical device to secure Mr Bock's target of 100m shares without breaching the London market's rules on pre-emption. This is illustrated by the fact that while Mr Bock is underwriting 100m shares – half the amount on offer – the other half is not underwritten at all.

In addition, Lonrho has undertaken that if enough shareholders take up their rights to leave Mr Bock short of his 100m target, it will issue the difference to him at 85p. Mr Rowland, needless to say, is not taking up his rights. His entitlement has been assigned to Mr Bock for a nominal sum.

Although the 85p Mr Bock is paying is above the market price, it is little more than half Lonrho's stated net asset value per share. How far that asset value is realisable is an open question. But on paper at least, Lonrho shareholders will have their net worth diluted, assuming they do not stump up for the rights.



But while shareholders have no incentive to pay above the market price, it is different for Mr Bock and his shadowy backers. They stand to end up with 25 per cent of the company.

Mr Rowland dominated Lonrho with a smaller shareholding. Arguably, shareholders are seeing *de facto* control being transferred under their noses for a very meagre premium.

The real premium, of course, goes to Mr Rowland, who gets 115p for half of his stake. The rest can be bought by Mr Bock after three years at the prevailing market price, apparently without paying anything for the option.

There seems nothing strictly improper about Mr Rowland extracting a higher price in this way. It might be asked, though, whether it did not create a conflict of interest when he explained the deal to the rest of the board. It is understood that he did not vote at the board meeting in question. But Lonrho is his company, and he is the dominant director.

Indeed, there is a defensive tone to Mr Rowland's own letter to shareholders. His premium, he writes, does not represent any unfair advantage, "since neither my company nor I has ever dealt in Lonrho's shares other than to buy them." Either the argument is a *non sequitur*, or any other shareholder who has never sold shares can apply to Mr Bock for 115p as well.

However aggrieved shareholders feel about all this, there is probably nothing they can do about it. There is a striking contrast with Mr Alan Sugar, whose modest proposal to buy out Amstrad's shareholders was turned down yesterday. As more than one City observer has remarked, when it comes to corporate infighting Mr Rowland makes Mr Sugar look like an amateur.

Tiny Rowland: has repeatedly thumbed his nose at the British establishment Trevor Humphries

A secretive tycoon heads for the final handshake

Barry Riley examines Tiny Rowland's track record

IT IS 31 years since Roland "Tiny" Rowland was recruited by Mr Angus Ogilvy, then an executive of Harley Drayton's 117 Old Broad Street group, while on a visit to Rhodesia to sort out the troubles of a minor offshoot called London Rhodesian Mining & Land. Soon Mr Rowland, a then-unknown Rhodesian farmer of German extraction, had moved to London as boss of Lonrho.

Almost from the beginning he has left a trail of controversy, with controversial takeover bids, eccentric obsessions and repeated insults to the British financial establishment.

Mr Rowland's greatest financial achievements came in the early years as he built up the company during the bull markets of the late 1960s and early 1970s. Relative to the UK equity market the Lonrho share price hit a peak in 1974. But it fell out of favour in the late 1970s and traded sideways during the 1980s.

As Mr Rowland aged the company appeared to lose strategic direction and during the past two years the share price has slumped because of rising debts, sliding profits and slashed dividends.

His first major clash with the authorities came in 1973 when eight directors, led by Sir Basil Smallpiece, resigned over Mr Rowland's cavalier management style, including his presentation of a £307,471 expenses claim (worth nearly £2m at 1992 prices). The affairs of Lonrho were famously described by the then prime minister Mr Edward Heath as "the unacceptable face of capitalism".

After a probe by Department of Trade Inspectors Mr Rowland was censured for misuse of company funds and was judged to deserve "severe criticism" for his conduct. Criticism was also directed against Mr Ogilvy, who resigned as a director. Nevertheless Mr Rowland carried on, seeking shelter from well-connected politicians.

Tiny Rowland has repeatedly thumbed his nose at the British establishment, doing deals with the likes of President Gaddafi of Libya.

He has adopted an extravagant tycoon lifestyle, with a suitcase permanently packed, and a pilot on standby to fly him in the corporate Gulfstream jet to whichever African capital catches his fancy.

He does not take opposition lightly. There have been famous campaigns against the Fayed family from Egypt and their alleged backer, the Sultan of Brunei, and against the Australian Mr Alan Bond, who in 1988 had the effrontery to try to take Lonrho over, but was repulsed by a 93-page Lonrho document which alleged that the Bond Corporation was financially unsound. Indeed, Bond later went bankrupt.

Mr Rowland accumulated mines, plantations, hotels, car distributors, the Observer newspaper, the Wankel rotary engine and much, much more besides in his corporate empire. But the greatest prize, Harrods, the famous Knightsbridge department store, slipped through his grasp despite his tireless feud against the Fayeds who snatched control of it from under his nose.

A Department of Trade and Industry inquiry eventually proved that the Fayeds had lied in their takeover documents but the department refused to take action in favour of the man who had presented the "unacceptable face of capitalism" some 15 years earlier.

Tiny Rowland generated endless newspaper copy, but in many of his business dealings he was notoriously secretive. While concepts of corporate governance evolved towards openness and participation in boardroom dealings by independent non-executive directors, he continued to stand for the autocratic rule of the old-fashioned company boss.

Investment institutions mostly shunned Lonrho, but thousands of small investors were attracted by Mr Rowland's charisma and the high dividends he paid out. Now, however, those dividends have dwindled badly, the company appears to be in a mess, and Mr Rowland's final gesture to his supporters is to negotiate a deal which is specially favourable to himself as he heads for the exit.

The quiet man with clear ideas of what he has to do

DO NOT confuse Mr Dieter Bock for one of "our publicity seeking entrepreneurs in the UK" said one of the advisers to the German financier who is buying a big stake in Lonrho.

According to those close to him, Mr Bock has deliberately decided to keep a low profile until after Lonrho's rights issue is completed.

"He has very clear ideas on what he might do but is keeping his powder dry. He likes to remain quiet until he is sure his plans can work," the adviser added.

There are, however, two main areas in which Mr Bock and his advisers have already shed some light.

When he signed the deal with Lonrho on Wednesday he made it clear that he believed Lonrho's assets were worth considerably more than the group's market capitalisation of about £490m.

In particular, it is understood that he feels he can realise greater value for the hotels and property interests.

A German industrialist who has worked with Mr Bock on a transaction in Germany said: "Mr Bock is convinced that he knows how to realise the true value of the UK-based Metropole hotels and North American-based Princess Hotels."

The Metropole Hotels have been the subject of controversy since the government-controlled Libyan Arab Finance Company took a one third stake for £177.5m earlier this year.

When asked about the Libyan stake on Wedndesday evening, Mr Bock said: "Who knows what will happen to their shareholding. All things can change. The company has suffered enough in respect of that stake."

It is also clear that Mr Bock is only expected to take up a directorship at Lonrho if the board agrees that he should become joint chief executive with Mr Tiny Rowland.

Even before Mr Bock's arrival, the old guard surrounding Mr Rowland has begun to leave. Mr Roger Badger, a director, has just resigned and others may follow.

"There may have to be an infusion of new management under Mr Bock since the current generation are getting close to retirement age," the adviser said.

Roland Rudd

Observer looks to be in secure hands

THE PRESENT ownership of the Observer seems to be secure for the next few years, in spite of Mr Tiny Rowland's plan to sell half his 15 per cent stake in Lonrho.

All the signs are that Mr Rowland intends to stay on for three more years. As long as Mr Rowland retains his influence at Lonrho it is unlikely that the ownership of the Observer will change.

The Guardian has repeatedly expressed interest in the loss-making Sunday newspaper, and earlier this year there were serious talks. But such talks have always foundered on the opposition of Mr Rowland. He has in effect made the paper unsaleable by setting a very high value on it.

The newspaper is now believed to be losing between £5m and £6m a year, losses that have been reduced from about £15m last year following a cost-cutting programme.

Circulation has held up above 500,000 despite the effects of the recession and increasing competition in the broadsheet Sunday market.

Uncertainty about the Observer was, however, increased by comments in Mr Rowland's statement about selling his shares. He said that the board intended to eliminate intangible assets in Lonrho's financial statements for the year ended September 30.

The statement also said that the Lonrho directors were of the opinion that there had been no permanent diminution during the year in the current cost of the remaining Lonrho title – the Observer. Its intangible value is in the books at £67m.

Senior Lonrho figures suggest this makes a sale less likely because, as it would almost certainly realise less than £67m, the difference would go straight to the profit and loss account.

Others see the shedding of intangibles as the first stage in clearing the decks for an eventual sale of the paper.

Raymond Snoddy

African relationship turns rocky

"TINY'S in town!" For three decades the cry has gone up, in towns and cities across Africa, from Cape to Cairo, from the lips of politicians, businessmen or journalists.

A commercial deal, a political initiative, lunch with the local Lonrho board, or dinner with the president – possibly all four, and on the same day, before the company jet takes the chief executive of Lonrho, still going strong at 75, on to his next destination.

If the pantheon of Africa's post-independence leaders allowed honorary membership, Mr Tiny Rowland could take his place for granted.

Ready to nominate him would be many of those leaders themselves. Yet all are dead, or dying; exiled or exiting. Age has taken its toll; but so has democracy, with autocratic leaders buckling under domestic and international pressure and succumbing to demands for multi-party elections.

It was with these men that Mr Rowland has worked closely; many observers claim he does not have the same links with the new generation of African leaders.

And Africa is changing in another respect. Structural adjustment under the scrutiny of the IMF and World Bank is creating fewer opportunities to exercise presidential power.

High hopes that marked the emergence of independent African states in the 1960s were dashed in the 1970s. Today those hopes are at their nadir, the continent enervated by disasters, both natural and man-made.

All these changes have taken a toll of Lonrho's assets, however efficiently managed. Post-Rowland, Lonrho as a company and Mr Dieter Bock, as its new driving force, will find business in Africa harder and potentially less profitable.

Lonrho has become increasingly dependent on profits from Africa. They accounted for £150m out of group pre-tax profits of £207m for the year ended September 1991. Activities include, in South Africa, platinum, gold, coal and asbestos mining; motor dealerships, and sugar investments.

Further north Lonrho has a wide spread of mining, agricultural and commercial assets spread across at least 16 countries. Prominent is the Ashanti gold mine in Ghana, but the list extends to tea, beer, pharmaceuticals, sugar, farming, textiles, soft drinks, timber, paint and hotels.

Yet questions hang over many of Lonrho's businesses:

Kenya's economic difficulties and political uncertainties put question marks against Lonrho's hotel and motor vehicle interests. Plantations in Mozambique depend on successful implementation of the UN supervised peace plan. In Zambia, Lonrho companies are dependent on the success of a fragile economic adjustment programme, as in Zimbabwe, where Lonrho has substantial interests.

The future of investments in Malawi is heavily dependent on what happens after Dr Hastings Banda, now in his mid-90s, passes on. Lonrho's companies in Nigeria are hit by the economic crisis and uncertainty about the handover to civilian rule.

Weak currencies, political risk, and hold-ups in remittance of profits and dividends make many holdings worth less than their book value. In event of sale, it would be difficult to repatriate the proceeds.

Michael Holman

The undisputed jewel in the crown

FOR ALL Lonrho's multiple interests in Africa – ranging from gold mining in Ghana to Kenyan hotels, Mauritian sugar estates and Tanzanian tea plantations – the undisputed jewel in the crown is Western Platinum, the world's third largest producer.

Situated in South Africa on the Bushveld complex along with Rustenburg and Impala, the other two main producers, Western has been at the centre of speculation for the past two years over some sort of closer tie between Lonrho and Gencor, the country's second largest mining house.

Mr Brian Gilbertson, Gencor's chairman, confirmed yesterday that discussions on an ongoing basis had continued ever since Impala, the platinum arm of the Gencor group, had put its Karee mine into Western in return for a a 27 per cent stake.

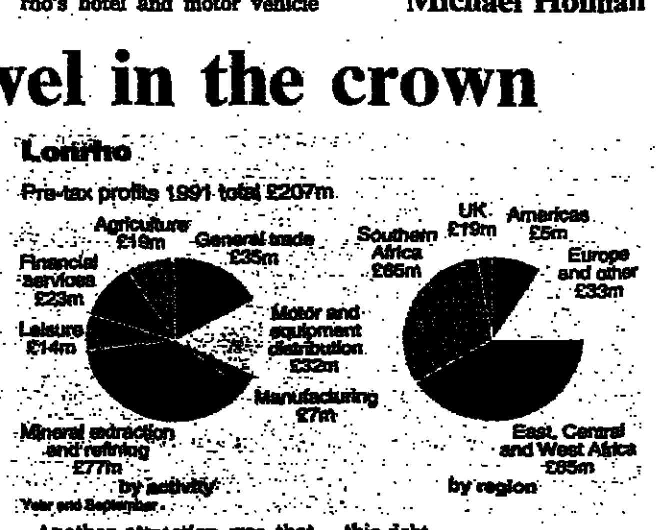
Mr Gilbertson reiterated that although various options – including a possible takeover of the Lonrho group – had been discussed, the primary focus of discussions had always been in achieving synergies on the platinum side.

His view remained that more could be achieved in this area to the benefit of all parties, especially Lonrho shareholders. He added: "I like to think Mr Dieter Bock will come to the same view."

Mr Gilbertson said the most recent discussions with Lonrho had been about a month ago. But he said he hadn't personally been involved in any detailed discussions.

It is believed that these were conducted mainly by Mr Bernard Smith, a Gencor director and chairman of Engen, the group's energy arm.

The attraction of Western to Impala was, in the first instance, its reserves. Two years ago Impala had a paucity of reserves, subsequently addressed in part through acquiring a lease over the Deeps area and purchasing the platinum interests – later mothballed – of Rand Mines. A merger with Western would have solved this problem.



Another attraction was that heavy start-up costs would be avoided, since Western was already in production and that it was in a major expansion phase. It has also long been accepted that it is the lowest cost producer in the industry.

On the downside is Western's high level of debt – estimated by analysts to be in the region of R900m (£185m). There are concerns as to whether cash flows are sufficient to fund interest payments on this debt.

Analysts ascribe this problem to extremely rapid expansion coinciding with a sharp decline in world rhodium prices. Production grew from 274,000 ounces of platinum group metals in 1988 to an estimated 690,000 ounces in 1992 – a rate of expansion way in excess of anything contemplated by Rustenburg or Impala.

Philip Gawith

Ericsson joins Hewlett in network systems venture

By Ronald van de Krol in Amsterdam

ERICSSON, the Swedish telecommunications company, and Hewlett-Packard, the US computer group, said yesterday that they planned to form a joint venture to provide telecommunications operators with network-management systems. This underlines the trend towards co-operation between the computer and telecommunication industries.

The joint venture will be 60 per cent owned by Ericsson and will be based in Stockholm. It will also have offices in Gothenburg, Sweden, and Grenoble, France, where Hewlett-Packard's telecommunications systems business unit is based.

Company officials, who made the announcement in Amsterdam, declined to give details of the required investment or expected revenue of the joint venture, which will have a workforce of 350 and will be called Ericsson Hewlett-Packard Telecommunications AB. It is due to begin operations in the first quarter of 1993.

But Mr Haakan Jansson, president of Ericsson Telecom, said the move involved a "significant" investment for both partners. The deal must still be approved by the European Commission.

The joint venture is aimed at winning business from the growing trend among telecommunications operators to place orders outside their own companies for systems that combine network management with administrative and customer support systems.

Currently, only 10 per cent of the annual $10bn spent by telecommunications companies on systems integration is performed by third-party suppliers. But Ericsson and Hewlett-Packard say this will double to 20 per cent by 1996, as telecommunications operators are forced by competition and deregulation to concentrate on their core business of providing service to customers.

Stora sells power arm and details investments

By Christopher Brown-Humes in Stockholm

STORA, Sweden's largest pulp and paper group, yesterday said it was selling its power distribution operations as part of a strategy of concentrating on core activities.

The buyer is AB Hälsingekraft, a wholly-owned subsidiary of Gullspangs Kraft, which will take over the operations on January 1.

No price was disclosed, but general market prices would suggest a value of around SKr300m ($44m).

The operations being sold supply 27,000 customers and include seven small hydroelectric plants.

Stora also announced a further SKr350m in new investments yesterday, taking its total autumn investment programme to more than SKr1.4bn.

Nearly SKr100m will be spent on the installation of oxygen-bleaching equipment at its Skutskär plant for the production of totally chlorine-free (TCF) pulp.

The aim is to have all production units within Stora Cell offering TCF grades by the start of 1994.

● Kone, the Finnish elevators group, has bought two-thirds of the shares in Pragolift, Czechoslovakia's second-largest lift manufacturer.

The deal, on undisclosed terms, represents Kone's first acquisition in eastern Europe, excluding Russia.

The remaining one-third of the company's shares will be held by Czechoslovakia's National Privatisation Fund, the company's workers and private shareholders.

Pragolift, which has a factory near Prague, specialises in the manufacture of large passenger and goods elevators. and employs 450 people.

It was formed three years ago when Tranza, then Czechoslovakia's only elevators group, was split. The other company was acquired by Otis, the US lifts group.

Kone has exported lifts to the Czech market for a number of years.

Calpers fails in RWE vote

David Waller reports from the shareholders' meeting in Essen

CALPERS, the big US pension fund, yesterday failed to persuade shareholders in RWE to vote to remove the voting structure at Germany's eighth-biggest industrial group.

After the meeting had been in progress for more than 10 hours, it looked certain that the local authorities which own 30 per cent of the group's shares but approximately 60 per cent of the votes, would vote against a motion calling for a move to a one-vote-one-share system.

But the plea from Mr Joseph Lufkin, a representative of Calpers and other US institutions with approximately 1 per cent of the shares in RWE, won widespread applause from the approximately 3,000 shareholders who gathered for RWE's annual meeting in Essen.

He won special approval from Mr F. Wilhelm Christians, the chairman of the supervisory board, to give his speech in English and his lawyer translated it into German.

Shareholders clapped enthusiastically when he said in English that it was "naive" for RWE or any other German company to maintain voting restrictions whilst expecting to enjoy continued access to international capital markets.

Mr Rudolf Müller, chairman of the association representing the interests of the local authorities, said that there was no evidence that the performance of the company had been damaged by the close links with the local authorities over the years, nor that the share price had suffered as a result of the voting mechanism. There was nothing secretive about the voting restrictions, he said, and investors bought their shares in the full knowledge of the situation.

The local authorities owe their special rights to the days when RWE's main function was to supply electricity to the Ruhr area. But electricity has shrunk over the past 10 years to 37 per cent of sales as the group had expanded into other areas, including engineering, construction and waste management.

The company is officially neutral on the motion to do away with the voting structure, which was proposed by DSW, a leading German shareholders' association. Analysts think, however, that Mr Friedhelm Gieske, chief executive, and the management board in general, share the view advanced by Calpers that the structure is an anachronism for the modern company.

The issue has come to a head as the company plans to increase its capital by DM310m ($197m) for the first time in 10 years.

The local authorities cannot afford to subscribe to any future rights issue, but Westdeutsche Landesbank, Germany's largest public sector bank, has devised a scheme whereby the authorities will retain their voting rights without subscribing capital.

Topdanmark to press on with issue terms

By Hilary Barnes in Copenhagen

TOPDANMARK, the insurance company, will proceed with the issue of 90,000 shares on December 16 at market price with no preferential rights for existing shareholders, the company said yesterday.

Earlier this month, Top announced that its profits for the year would be lower than expected as a result of heavy fire indemnity calls caused by the dry summer, and turbulence in financial markets.

Top's share price is currently DKr645 ($106). At this price the group's issue will raise DKr58m. The issue will take the share capital at face value to DKr285m.

Correction

Skoda-Pilsen

DORRIES Scharmann, the German heavy engineering group, has set up a DM50m ($31m) joint venture with Skoda-Pilsen, the Czech engineering group based in Western Bohemia.

This was incorrectly reported in yesterday's Financial Times.

Noranda plans merger of two energy affiliates

By Robert Gibbens in Montreal

NORANDA, Canada's biggest resources group, plans to merge two of its key energy affiliates, Norcen and North Canadian Oils.

Noranda's first step will be to sell its 50.5 per cent interest in North Canadian for Norcen shares. The deal, which offers 0.67 Norcen shares for each North Canadian, is being extended to all other North Canadian shareholders.

Later, North Canadian's operations would be rolled into Norcen. The merger would link a domestic and international oil exploration and production group with a large natural gas producer. North Canadian also has a fast-growing coal generation business in Canada and the US.

The combined company will be Canada's eighth-largest oil and gas producer, with assets of C$3.75bn (US$2.9bn). It will have one class of common shares.

Noranda said the combined company's earnings potential would be much better than if the two units operated separately. Noranda will maintain a 44 per cent interest in the continuing Norcen on a fully-diluted basis.

Canadian Hunter, an important Noranda-controlled gas producer in western Canada, will remain separate.

Norcen is expanding its international activities by stepping up development operations in Argentina.

● Laidlaw, the waste management group affiliated with Canadian Pacific, is planning further acquisitions, Mr Donald Jackson, president, told the company's annual meeting in Toronto.

Mr Donald Jackson said Laidlaw was negotiating a modest Mexican purchase in the hazardous waste market and also a solvent recovery centre in Arizona. Its southern US operation would be linked directly with future Mexican operations, following the recent North American Free Trade Agreement.

Mr Jackson said the solid waste business in North America was being pruned to improve returns before any new acquisitions.

Laidlaw has cut back on expansion for two years because of the recession and a tumble in profits.

Mr Jackson said annual revenue growth in the 1990s would be double-digit, but slower than the 30 per cent pace of the 1980s.

Italo-American cinema scheme explained

By Haig Simonian in Milan

FURTHER DETAILS have emerged about the ambitious Italo-American project for a new multi-screen cinema chain in Italy, amid clarification of some financial details.

The news follows the signing in Rome last week of a letter of intent between Situr, the Italian property and entertainment concern, and UCI Europe, the cinema group owned by MCA Universal and Paramount of the US.

Situr, which recently sealed a deal with the Standa retail group to develop new shopping centres in Italy, expects to invest between L250bn ($179m) and L300bn in a series of multi-screen cinemas, which could be developed alongside. The potential financial commitment by UCI Europe is unclear.

UCI Europe, the first company to bring US-style multiplex cinemas to Europe, has already built up a substantial chain in the UK, with cinemas of up to 15 screens.

Although Italy has one of Europe's biggest film production industries and is the home of some of the continent's most famous directors, recent years have seen the closure of many cinemas under the assault of television and video.

Mr Luigi Clementi, Situr's managing director, said the planned venture with UCI represented a further step in the development of the group, which earlier this year opened the L150bn Mirabilandia theme park near Ravenna, Italy's biggest.

The company, which controls the Valtur holiday villages chain, is also negotiating to buy CIT, the travel agency owned by Italy's state railways. CIT is the country's only chain of travel agents, and a successful acquisition would give Situr its first direct access to the retail travel market.

Dasa expecting loss in spite of rise in sales

MR MANFRED Bischoff, chief financial officer of Deutsche Aerospace (Dasa), the aerospace unit of Daimler-Benz, said the group's sales in 1992 would rise to DM17.3bn ($10.8bn) from DM12.3bn last year, but it would post a loss, Reuter reports from Munich.

However, much of the rise in sales would be due to the first-time consolidation of Deutsche Aerospace Airbus, the German partner in the Airbus Industrie consortium.

Mr Bischoff added that Deutsche Airbus would show a net profit of around DM400m in 1992, down from DM420m last year. He repeated earlier statements by Dasa executives that the group and parent company would report a loss this year.

Dasa said that the value of the recent cancellation of an order by Northwest Airlines from Airbus Industrie was some $1.3bn. Mr Juergen Schrempp, chairman, said the cancellation could threaten further job cuts at the company and Deutsche Aerospace Airbus.

Daimler owns 37.9 per cent of the Airbus consortium. Deutsche Airbus has already said it was reducing its workforce of 23,000 by around 1,000 in response to declining orders.

NEWS IN BRIEF

● Trelleborg, the Swedish mining and industrial group, said it would make a one-time loss of more than SKr1bn ($147.6m) in 1992 due to the krone's effective devaluation, write-downs and several production stops in the year, Reuter reports from Stockholm.

Including the SKr1bn one-time loss, it will make a full-year loss of SKr1.5bn, Trelleborg said in a statement. The profit for the first eight months of the year was SKr11m after financial items.

● Metallgesellschaft, the German metals group, said it expected little fundamental change in non-ferrous metals markets in 1993, Reuter reports from Frankfurt.

Mr Thomas Baack, the group's chief economist, said that the underlying situation of the non-ferrous metal markets "hardly changed at all in the course of 1992 and in all probability will not do so next year either."

Production in the western world was stagnating and consumption growing at an equal rate.

"However, the imbalance in east-west trade persisted [in 1992]," Mr Baack said. "At the moment there are no prospects for improvement."

Royalties from licensing boost National Semi

By Louise Kehoe in San Francisco

NATIONAL Semiconductor, the US chipmaker, reported its strongest quarterly earnings in seven years, boosted by gains from patent licensing royalties.

But its operating performance failed to live up to Wall Street expectations, prompting a sharp decline in the share price. National was down $2⅝ to $10⅝ at midday yesterday.

Net earnings for the second quarter, ended November 29, were $35.3m, or 27 cents a share, against $5.9m, or 3 cents, a year ago. Results included a net gain of around 15 cents per share from exceptional items.

The company recorded a pretax gain of $18.1m, including a $31.7m from patent licensing fees, charges of $4.5m for legal expenses, and $9.1m for the costs of consolidating sales and logistics facilities for international operations.

Analysts had expected net earnings of about 20 cents per share and were disappointed by after-tax earnings from normal operations of approximately 16 cents per share. Gross margins were also slightly lower than expected.

The company attributed this trend to strong sales of its lower margin products. Sales for the quarter were $491.9m, up from $413.2m last time.

The results represent National's fifth consecutive profitable quarter, said Mr Gilbert Amelio, president and chief executive.

"We are continuing to consolidate manufacturing facilities," Mr Amelio added. "We have agreed in principle with Defense Systems and Software of New Jersey, to form a joint venture to operate our facility in Migdal Haemek, Israel, as an independent operation. National will own less than 20 per cent of the joint venture.

In the first half, the company reported net earnings of $57.2m, or 44 cents, on sales of $964.3m, compared with a net loss of $162.1m, or $1.61, after restructuring charges of $149.3m, on sales of $824.2m.

Borland proposes $35m charge to cover job cuts

By Louise Kehoe

BORLAND International, the California personal computer software company, has cut its workforce by 15 per cent with the loss of 350 jobs.

The price war that has raged among personal computer manufacturers for the past year has now begun to hit the software segment of the industry.

Borland said it would take a charge of about $35m against current third-quarter earnings to cover the cost of the cuts as it consolidates its operations.

"A new industry pricing model is emerging," said Mr Philippe Kahn, Borland chairman, president and chief executive. The reorganisation "is designed to make Borland leaner, more competitive and profitable".

Borland, best known for its database management programs which enable PC users to organise and access large quantities of data, is facing intense competition from Microsoft, the PC software industry leader.

Microsoft recently launched its own database management program, aggressively priced at under $100.

"The software industry is going through a fundamental pricing shift similar to the one in hardware," a Borland official added.

"We recognise this is a major trend in the industry and we have to be poised for it."

Mr Kahn said the company would launch two long-awaited database management products early next year.

Diller to buy stake in TV shopping network

By Alan Friedman in New York

MR Barry Diller, who resigned last February as chairman of Mr Rupert Murdoch's Fox film and television studio, is to acquire a significant stake in QVC, one of the two leading US cable TV home shopping networks.

The move appears to be part of complex negotiations believed to be aimed at achieving joint control of QVC's board by Mr Diller and two corporate partners that are also substantial QVC shareholders – Liberty Media, a Wyoming-based company that has also agreed to buy voting control of QVC's main rival, and Comcast, a cable operator.

QVC said yesterday the former Fox chief was in talks about joining QVC in a senior executive position.

QVC, with $922m of revenues in its last fiscal year to January 31 1992, announced yesterday Mr Diller had also reached an agreement to form a group with Comcast and Liberty Media. Liberty has 25 per cent of QVC, while Comcast owns 14 per cent.

Liberty, formed last year when it was spun off from Tele-Communications, the biggest US cable operator, agreed this week to buy voting control of Home Shopping Network, QVC's main rival. Liberty and Comcast have joined forces to seek control of QVC.

Liberty is effectively controlled by Mr John Malone, chairman of TCI, and had $111m of revenues in the first nine months of 1992.

Some analysts believe Liberty's goal is to save costs by sharing administrative and operating expenses at both QVC and Home Shopping Network. This would create ties between the two that together have a dominant position in the fast-growing $2bn-a-year TV shopping market.

Mr Diller could not be reached for comment yesterday.

QVC had $36.2m net profits on $729m revenues in the first nine months of the year to January 31.

Chile woos multinationals to the market

Leslie Crawford looks at how banks want to transform Santiago into a financial hub

CORPORATE bankers in Chile are forging a new line of business by persuading multinationals to float their local subsidiaries on Santiago's buoyant stock exchange.

Citicorp Chile and Bankers Trust Company have been sending emissaries to the headquarters of US and European groups to expound the financial logic of going public in Chile.

Their sales pitch has three main points: parent companies could raise ready cash by carving out their Chilean businesses; they could finance acquisitions elsewhere in Latin America by tapping Chile's substantial pool of capital resources; and they could find local investors to fund their own expansion projects in Chile.

Chilean banks want to transform Santiago into a financial hub for the Latin American operations of multinational companies.

They believe this is possible because the spectacular growth of Chile's private pension funds and insurance companies has created a domestic savings pool worth $17bn.

Pension funds, the largest institutional investors in Chile, are on the look out for new investment opportunities. They have recently been authorised to take part in project finance and invest in convertible bonds.

As a result, the first multinationals are being coaxed onto the Santiago stock market, or Bolsa. Armco Chile, a subsidiary of the US steel group Armco, has announced it will be floating up to 60 per cent of its equity on the Bolsa early next year.

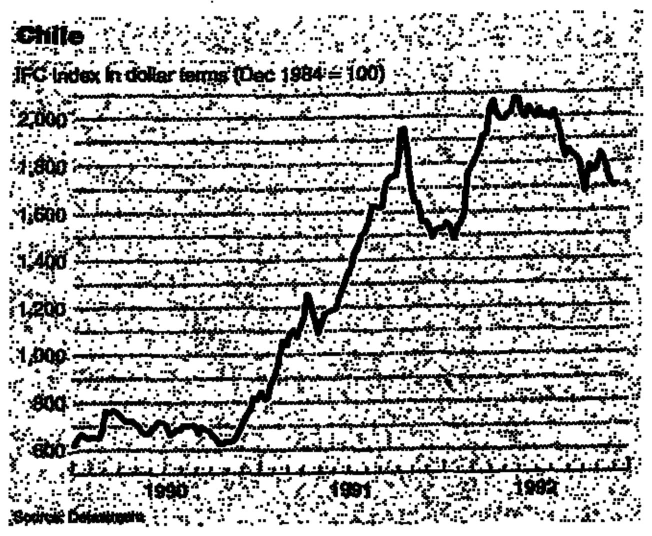
"Armco Inc needs cash after taking the strategic decision to concentrate its business in stainless and specialty steels in the US," explains Mr John Barroilhet, Armco Chile's general manager.

Bankers Trust persuaded Armco it could get a better deal by floating its Chilean affiliate than by selling it outright. Business is thriving as Armco dominates the $100m market for grinding systems in Chile's thriving mining industry. The initial public offering is expected to raise about $40m.

Mr Lincoln Rathnam, managing director of Boston investment consultants Scudder, Stevens & Clark, sees this as a trend, not only in Chile but elsewhere in Latin America.

While Chile has the advantage of having a solid institutional investor base, other stock exchanges in the region have benefited from economic reforms that have wooed back flight capital.

"We are encouraging US companies to float their Latin American units as a cheap and effective way of raising capital," says Mr Rathnam. "I expect to see a lot of familiar names on local stock exchanges soon."



According to Salomon Brothers Financial Strategy Group, US companies have raised over $2.5bn in the past five years by carving out their foreign subsidiaries in overseas equities markets.

To date, this has mainly taken place in Japan, where price/earnings multiples are several times higher than those in the US.

Mr Jose Manuel Silva, vice-president of Citicorp Chile, says Latin American bourses have become attractive as a vehicle for multinationals to reduce the political risk of investing in Latin America.

Many multinationals are seeking to expand their operations in the region, says Mr Silva, but they are being held back by weary shareholders at home.

"We are advising them to raise capital by floating their local business and let Chilean investors assume the political risk of their expansion plans in Latin America," Mr Silva says.

Chilean electricity companies, for example, have raised over $100m on Santiago's capital markets to buy large stakes in the privatisation of Argentine utilities.

There is no reason why multinationals should not be able to do the same in other fields, Mr Silva says.

Citicorp is pursuing flotation talks with about a dozen multinationals with businesses in Chile.

Eternit, the Belgian manufacturer of construction materials, is expanding its holdings in Latin America through Ceramicas Cordillera, a Chilean ceramics group floated on Santiago's Bolsa last year.

The Belgian group and its new Chilean partners have just agreed to an $18m capital increase in Cordillera to finance acquisitions in Argentina. If the purchases go ahead, Cordillera will control 40 per cent of the Argentine market for ceramic tiles.

A further incentive for multinationals considering going public in Chile is that they often control businesses which are under-represented on the Santiago stock exchange.

Public offerings from companies in consumer products, mining, and the fruit exporting business would probably be snapped up.

Procter & Gamble in review of world operations

By Nikki Tait in New York

PROCTER & Gamble, the Cincinnati-based consumer products company, has told employees it is reviewing operations worldwide in an effort to make the group more efficient and competitive.

Employees were told on Wednesday that P&G was implementing a "worldwide project to review work processes and organisational structure".

The company claims the overview is necessary because of a steady flow of acquisitions – over 40 during the past decade – and geographical expansion moves.

"We believe this is the right time to step back and ... assure that the organisational structure is matched to the needs of the marketplace," it says.

The company added that, although unable to predict the results of the study, it does not expect "broad-scale lay-offs".

It suggested that, if job cuts were found to be necessary, they could be "handled primarily through reassignment, normal attrition and retirements".

P&G is setting up a steering committee, which will first analyse the group's structure and then draw up detailed recommendations.

US newspaper group plans to publish books

KNIGHT-RIDDER, the US newspaper group, was near to signing a book publishing deal that will exploit the company's traditional news-gathering forces, said Mr Anthony Ridder, president, Reuter reports from New York.

Mr Ridder said Knight-Ridder hoped to sign a deal with a leading US book publisher by the year end and that it aimed to publish more than a half dozen books annually.

He declined to identify the publisher they were negotiating with. Ridder said the pending arrangement was inspired by the success of two recent books.

The Equitable forms link with disability insurer

By Nikki Tait

THE EQUITABLE, the large but troubled US life insurance company in which France's Axa has a 49 per cent stake, said yesterday it was forming a "strategic alliance" with UNUM, a medium-sized insurance company which specialises in disability insurance.

The Equitable, which turned itself from a mutual insurance operation into a shareholder-owned company earlier this year to boost capital, said the tie-up was part of a general strategy of concentrating on "core life insurance and annuity business".

Equitable's 8,300-strong agency sales force will sell individual disability products "based on product designs, administrative systems and claims management capabilities developed by UNUM".

The smaller, Maine-based insurer will reinsure a significant portion of the insurance risk on these policies. It will also reinsure part of the insurance risk on Equitable's existing individual disability business.

This arrangement will not include Equitable's open disability claims, but in these cases UNUM will provide claims management services on a fee-for-service basis.

Sanyo sees 73% drop in profits and cuts payout

By Emiko Terazono in Tokyo

SANYO Electric, the Japanese electronics company, has revised downwards its profits forecast for the year ended November and announced plans for a cut in dividend – its first in 22 years.

Sanyo yesterday said annual pre-tax profits would fall 73.3 per cent to Y10bn ($80.64m). In July, it forecast a 35.9 per cent decline. The company also expects to post losses of Y17bn at the operating level, against an operating profit of Y11.3bn the previous year.

The announcement follows sharp falls in interim earnings at other leading Japanese electronics companies, such as Matsushita Electric Industrial and Sony. The severe downturn in profits also forced Sanyo to cut its dividend to Y6.50 per share, from the previous term's Y8.

Sanyo is trying to restructure its ailing operations by giving more responsibilities to each of its business sectors. Some 350 staff have been transferred from headquarters to sales and marketing departments.

In an effort to quicken the pace of reforms, Mr Satoshi Iue, son of Sanyo's founder, tightened his grip over the company last month by promoting himself to chairman and chief executive officer, from the presidential post. Mr Yasuaki Takano, former vice-president, has become president and chief operating officer.

For 1991-92, the company now expects a 8.4 per cent decline in sales to Y1,080bn, and after-tax profits to fall 72.1 per cent to Y5.7bn.

The company incurred foreign exchange losses of 3.2bn due to the higher yen. Sales of audio and visual equipment dropped 18 per cent, due to weak European sales, while a cool summer led to a 15 per cent fall in sales of air conditioners.

French-led group set to win water tender

By a Correspondent in Buenos Aires

A FRENCH-Argentine group has taken the lead in a tender for a 30-year concession of the Argentine water company Obras Sanitarias De La Nacion (OSN), a state-owned company that supplies running water and treats sewage in Buenos Aires, home to nearly one-third of Argentina's 33m population.

The group – headed by Lyonnaise Des Eaux-Dumez and Générale Des Eaux, in partnership with the Argentine companies, Sociedad Comercial Del Plata, Banco Galicia and Meller – offered to make the biggest discounts on OSN's rates, compared with the bids made by two British-led consortia.

Lyonnais Des Eaux Dumez would be the group's operator.

According to the terms of the tender, the concession was to be awarded to the group offering to charge the lowest tariff.

The French-Argentine group's discount was 26.9 per cent, beating the 26.1 per cent rate cut offered by Thames Water's consortium and 11.5 per cent discount proposed by a group led by North West Water.

Mr Wylian Otrera, the Argentine public works secretary, said that before awarding the concession, OSN's privatisation committee would analyse the French-Argentine bid to decide whether its low rate would enable the group to meet a required $1.25bn in investments over the first 10 years of the contract.

Winners of the concession, due to be awarded before next Friday, will have to upgrade and expand OSN's decrepit network.

Flotation of Qantas may include global offer

By Bruce Jacques in Sydney

MR RALPH Willis, the Australian finance minister, yesterday raised the possibility of an international offering of Qantas shares in the planned public flotation, scheduled for next year.

Mr Willis said the international offering option depended on the outcome of the current trade sale.

Both British Airways and Singapore Airlines have lodged bids for shareholdings in Qantas.

Mr Willis also announced that the underwriters for the flotation would be ANZ McCaughan Securities, County NatWest Australia, CS First Boston Australia and Potter Warburg.

● The bitterly-contested takeover bid by Campbell Soup, the US food group, for Arnotts, the Australian biscuit maker, has spilled over into the courts.

Campbell yesterday applied to the Supreme Court of New South Wales to resolve an earlier agreement which may restrict Campbell's voting rights.

Arnotts asserts that the agreement, made in 1985, prevents Campbell from voting more than 14.9 per cent of Arnotts stock, even if Campbell achieves minority control of the company.

Campbell yesterday said it disagreed with this assertion and was seeking a hearing to have the issue resolved. Campbell, which already controls 33 per cent of Arnotts' shares, is bidding $A8.80 a share for the balance.

The offer values Arnotts at $A1.2bn (US$833m).

● Howard Smith, the shipping group, has claimed success in its $A115.5m takeover bid for Alexandra Towing, the UK tug operator, claiming 91.7 per cent of Alexandra's capital.

The offer, which still requires clearance from UK regulatory authorities, will remain open indefinitely.

● North Broken Hill Peko, the Australian resources group, has bought Girdlestone Pumps of the UK for an undisclosed sum.

Chicago pushes novel line in catastrophes

Laurie Morse reports on the two new insurance futures launched today by the CBOT

THE Chicago Board of Trade, the big US futures market, today launches two innovative futures contracts that track quarterly property insurance claims for losses from such catastrophes as earthquakes, floods, riots, tornadoes and hurricanes.

But, in spite of a 15-year development period, the products may be too novel for the US insurance industry, and may be arriving at a time when state insurance regulators are discouraging "creative financing" on insurance company balance sheets.

The nation's largest casualty insurers, State Farm and Allstate, are not participating in the index of claims reporting that underpins the futures contracts. Only one state insurance regulator has said it will allow the contract to be used for hedging risk, and then only on a limited basis. That regulator is in Illinois, the CBOT's home state.

However, in another sense the CBOT's timing is impeccable. Insurance companies traditionally lay off their underwriting risk through reinsurance. A series of catastrophes in the past year – the Chicago flood, riots in Los Angeles, and Hurricanes Iniki and Andrew – created enormous price volatility and overwhelmed the reinsurance markets.

In fact, the CBOT shifted its focus to the catastrophe contracts only late this summer, setting aside plans for less volatile homeowners' insurance futures which had been scheduled for a September launch.

Parking problem: disasters such as Hurricane Andrew overwhelmed the reinsurance markets

Mr Richard Sandor, executive managing director at Kidder Peabody in New York, and one of the pioneers of financial futures, says the disasters created capacity problems in the reinsurance business, and an opportunity for the CBOT.

"What we're responding to is what is perceived to be a need for capital and risk management in the insurance market," Mr Sandor says. He expects some reinsurance companies to be in the CBOT pits on opening day, but says primary insurance companies have "displayed healthy scepticism," and "don't really know what futures are."

Such resistance does not daunt CBOT officials. "I can remember when 41 primary dealers of US government securities told me they didn't want anything to do with a Treasury bond futures contract," says Mr Leslie Rosenthal, chairman of the CBOT's insurance subcommittee. "Now we have the biggest bond contract in the world, and every dealer uses it to hedge."

The exchange will initially rely on its own stable of independent traders to fill the insurance pits. CBOT traders have a natural affinity for disasters, having bet their fortunes indirectly on drought, war and famine in the Chicago's grain pits for the past century.

The CBOT hopes talks with regulators in New York, California, Texas, and Florida will produce rulings that insurance companies can constructively use the contract for risk management. In the meantime, Mr Rosenthal says interest from offshore reinsurers has been growing. He also thinks that if the futures contracts prove profitable, US insurance companies will find the means to trade them.

Exchange executives note that most big insurers have financial trading subsidiaries that are allowed to use futures. Allstate is under the same Sears umbrella as Dean Witter Reynolds, for example, and Prudential has a big brokerage arm.

The CBOT cites an industry study that pegs property insurance premiums subjected to catastrophic loss at $41.6bn in 1990. However, Mr Marc Rosenberg, vice-president of the Washington-based Insurance Information Institute, says the size of the potential market for futures is much smaller.

He says the amount of insurance premiums written for all property-related coverages (excluding cars) is a little less than $80bn. Since reinsurance purchases typically amount to just 10 per cent of gross premiums, futures will be chasing a small portion of the estimated $8bn insurers spend on reinsurance each year.

Mr Rosenberg contends that industry scepticism stems from an apparent contradiction: the exchange calls the contracts hedge vehicles, when US insurance companies are not allowed to use them for that purpose. "There is a large gap between the [CBOT's] promotional materials and the realities of the insurance business," he says, dismissing the contracts as speculative investments.

However, others take a more benign view. Mr Michael Pinter, chairman of Kemper Reinsurance, one of the US's largest reinsurance groups, says: "We're being neutral at this stage. The concept is very interesting. The CBOT has put a lot of time and effort into this, and we're going to wait and see."

Mr Pinter says the main issue is whether the exchange will be able to generate enough early transaction volume to make the contracts viable. While regulatory hurdles are important, he thinks the contracts will survive if they can prove their economic usefulness. "The dollar potential is there, and the volatility is certainly there," he says.

The exchange starts today with national catastrophe insurance futures and options and eastern catastrophe futures and options. It plans western catastrophe contracts and health insurance futures in the first quarter of 1993.

Mercedes' Brazil arm to report first loss

By Christina Lamb in Rio de Janeiro

MERCEDES Benz do Brasil, part of the German motor group, will this year report its first loss in Brazil.

Mr Rolf Eckrodt, president of Benz do Brasil, blamed persistent high inflation and deepening recession for a $300m drop in sales.

In spite of record exports, truck production was the lowest since 1970, dropping to 14,200 units compared with 22,400 in 1991. Bus production rose slightly to 20,000. Mercedes has 83 per cent of the local bus market.

To compensate for falling domestic sales, the company focused strongly on exports, achieving a 31 per cent increase in sales to $600m, more than one-third of which was accounted for by Mexico.

Total sales slipped to $1.4bn and as a result the company plans to lay off 2,000 workers next month.

The news of the losses – the first in 36 years – concludes a bad year for Benz do Brasil, which is one of the companies implicated in the corruption scandal that recently led to the suspension of President Fernando Collor.

● Nestlé, the Swiss foods group, is to cut investments in Brazil because of falling sales and profitability. Investments are to be reduced from $105m to $60m as sales continue to be hit by Brazil's declining per capita income. Like many companies in Brazil, Nestlé has tried to compensate through boosting exports which this year rose 50 per cent to $50m, largely to Argentina.

Inco takes $16m charge for cuts

INCO, the world's second-biggest nickel producer, will take a US$16m pretax charge in the fourth quarter in respect of 400 job cuts, writes Kenneth Gooding. The Toronto-based group estimated the move would reduce employment costs by an annual $22m. Inco previously took an $18.8m charge in the third quarter for an early-retirement programme.

UK financing arm of Daf in £180m, five-year issue

By Brian Bollen

THE recent sequence of securitised bond issues continued in the international markets yesterday with the launch by UBS Phillips & Drew of a £180m issue for Truck Funding, a subsidiary of Leyland Daf Finance.

INTERNATIONAL BONDS

UBS P&D said the issue, for the UK financing arm of Daf, was the UK's first securitisation of tax-based leases. The notes are backed by vehicle leasing contracts from the Leyland Daf truck and van business in the UK.

UBS P&D said the structure represented a lower cost alternative to bank financing, at a time when the leasing and finance sector was finding medium-term bank financing harder to come by. Similar deals from other issuers are expected to follow, the bank said, although one current problem with leasing transactions was the absence of taxable profits against which to offset capital allowances.

The issue, of £180m of five-year floating rates paying a margin of 50 basis points over three-month Libor at a fixed reoffer price of 99.65, offers a discounted margin to investors of 60 basis points. Proceeds will be used to replace more expensive short-term bank facilities.

UBS P&D claims to have solved the main problem of securitising UK tax-based leasing deals. These centre on the loss of capital allowances by the originator of a lease, in this case Leyland Daf Finance, if it transfers the underlying asset.

"This structure preserves the capital allowance position of the originator," said Mr Mark Lewis, a vice-president at UBS P&D responsible for structuring the transaction. "All the tax benefits stay with it."

The assets and receivables are stripped away from Leyland Daf Finance in a tax neutral way, he said. The receivables and assets are first sold by Leyland Daf Finance to a special purpose vehicle. This then sells the receivables on to one company – Truck Funding – and the assets to another.

Credit enhancement enabling the issue to qualify for its Standard & Poor's triple-A rating comes in two stages. First, each £100 of bonds is backed by £106 of assets.

Second, in the event of a shortfall, Union Bank of Switzerland guarantees to lend £25m to £30m on a non-recourse basis to Truck Funding, to be placed on deposit until needed to meet any arrears and losses. Repayment of the loan is subordinated to the claims of the noteholders.

If UBS loses its triple-A rating, the loan will immediately be drawn down in full and proceeds put on deposit with an appropriately rated bank. The issue was well received with only minor carping, focusing on the absence of a rating by Moody's Investors Service.

Swiss Re launched a $150m seven-year bond with callable five-year warrants, exerciseable into equity in MGIC Investment Corp of the US. The warrants are callable at any time, on 30 days' notice, in years four and five, to help increase the probability of exercise, said Goldman Sachs, the arranger.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Finnish Export Credit(a)‡	50	(a)	100.1	1996	20/10bp	Salomon Brothers Int.
SwissRe Finance(US) Inc.(b)♦	150	3.75	100	1999	2¼/1½%	Goldman Sachs Int.
YEN						
Formula(Grand Cayman)(c)‡★★	4.3bn	(c)	100.1	1996	20/10bp	Fuji Int.Finance
STERLING						
Truck Funding(d)‡	180	(d)	100	1997	70/35bp	UBS P&D Securities
SWISS FRANCS						
Province of Ontario(e)	100	6.25	102	2003	-	Crédit Suisse

Final terms and non-callable unless stated. ★★Private placement. ♦With equity warrants. ‡Floating rate note. a) Issue launched on 27/11/92 has been increased to $250m. Coupon pays 50bp above 3-month Libor. Callable from 12/94 at par. b) 195 detachable warrants/ $10,000 bond; each warrant entitles holder to one MGIC Investment Corp. share at $48⅛ (2.9% premium) and warrants are callable from years 3-5. c) Series XIII. Coupon pays 50bp above 6-month Libor. d) Coupon pays 50bp above 3-month Libor. Secured by Leyland DAF lease receivables. Average life years is 3.75. e) Issue launched on 3/12/92 has been increased to SFr400m.

Demand for NMA offer vanishes as share prices tumble

By Simon Davies in Hong Kong

HONG KONG'S largest flotation since mid-1990, the public offer of shares in National Mutual Asia (NMA), has been only 50 per cent subscribed as a result of the collapsing share prices that have accompanied the Sino-British war of words over the development of democracy in the colony.

Underwriters were left with more than HK$300m (US$38.9m) worth of shares – believed to be the worst undersubscription for a new issue in Hong Kong's history, far exceeding underwriting obligations for the poorly received Sime Darby flotation, in late 1985.

The row between Britain and China over Hong Kong governor Mr Chris Patten's political reform proposals had already resulted in the withdrawal of the HK$300m flotation of South China Brokerage.

NMA, a wholly-owned subsidiary of the Australian life assurance and investment group, was to raise HK$1.08bn, through a placement and open offer. The HK$431m placement was almost 10 times over-subscribed, but demand for the public offer vanished in the wake of last week's 12 per cent drop in the Hang Seng Index.

Provisional estimates last night indicated the HK$646m public offer was 50 per cent subscribed. The offer was fully underwritten, with Standard Chartered Asia acting as lead manager, and Baring Brothers, Morgan Stanley, Daiwa Securities and S. G. Warburg Securities as co-underwriters.

Brokers were not surprised at the response. The research director of one local securities house said: "There was strong initial support for the issue and the over-subscription for the placement was sufficient to cover the whole flotation. But given the current uncertainty, the shares are bound to perform badly at the start".

The underwriting agreement contained a force majeure clause, whereby it was possible for the underwriters to terminate the deal, claiming an extreme and unforeseeable change in circumstances. But at the time the offer opened, Standard Chartered said it was confident the flotation would be well received.

European markets retreat as Bundesbank remains firm

By Sara Webb in London and Patrick Harverson in New York

EUROPE'S government bond markets fell yesterday as the Bundesbank reiterated its determination to quell inflation by keeping German interest rates high.

The news came against a background of further currency turbulence as Norway announced its decision to cut the krone's link to the Ecu, sparking further speculative pressure against the weaker European exchange rate mechanism currencies such as the Danish krone and the French franc.

GOVERNMENT BONDS

■ GERMAN government bonds dropped as the Bundesbank said it would stick to its restrictive policies to try to bring inflation under control and left interest rates unchanged. Mr Helmut Schlesinger, the Bundesbank president, said there was no room for an easing in interest rates, and the central bank left its discount rate at 8.25 per cent while its Lombard rate remained at 9.5 per cent.

The Bundesbank added its money supply target for 1993 would be raised to a range of 4.5 to 6.5 per cent, from 3.5 to 5.5 per cent. The bund market had expected the money supply target range to be raised.

Mr Otmar Issing, Bundesbank board member, said German M3 money supply growth slowed in November, and was quoted as saying it would be below 10 per cent. The provisional figure of 10.2 per cent for annualised growth for October was revised up to 10.3 per cent yesterday.

The Liffe bund futures contract fell from a high of 91.74 to 91.40 on the Bundesbank's statements, ending the day at around 91.45.

■ THE Dutch and Belgian central banks cut their key interest rates yesterday, but the moves were a reflection of their relative currency strength against the D-Mark rather than an indication of monetary policy.

The Dutch central bank cut two of its three key official interest rates by 25 basis points while the special advances rate, the main money market rate, was cut to 8.60 per cent from 8.70 per cent. Dutch government bonds edged lower with the market focusing on the possibility of a new state bond issue in the 10 or 15-year area expected to be launched shortly.

■ FRENCH government bonds fell on disappointment at the Bundesbank's decision to leave interest rates unchanged and as the French franc came under renewed pressure in the foreign exchange market.

The decision by Norway to sever the Norwegian krone's link to the Ecu yesterday put pressure on the weaker members of the European exchange rate mechanism. Dealers said they believed the Bank of France was forced to intervene in order to support the franc. The yield on the 8½ per cent bond due 2002 moved from 8.20 per cent to 8.17 per cent.

■ UK government bonds dropped half a point at the long end, dragged down by the combination of a fall in the European bond markets, sterling weakness and disappointment over yesterday's Treasury report. The Liffe gilt future contract slipped from 99.25 to 99.06 in relatively thin volume, while in the cash market the 9¾ per cent gilt due 2002 dropped from 109$\frac{1}{32}$ to 108$\frac{18}{32}$.

Dealers noted some profit-taking at the long end following the lengthening trades seen in recent days. Gilt prices ended lower across the curve after the Bundesbank indicated there was no room for a cut in German interest rates.

■ JAPANESE government bonds closed firmer after the benchmark cash bond reached a new high for the year, ahead of the release of the Bank of Japan's quarterly report of business sentiment.

The yield on the No 145 moved from 4.59 per cent to 4.57 per cent before backtracking to end at 4.58 per cent. March bond futures ended at 107.86 against Wednesday's close of 107.84, and traded in a range of 107.78-107.92.

■ LONGER-dated US Treasuries firmed on good inflation news yesterday morning, although prices at the short end of the market remained flat. By midday, the benchmark 30-year government bond was up $\frac{1}{8}$ at 102$\frac{1}{16}$, yielding 7.415 per cent. The two-year note was slightly weaker, down $\frac{1}{32}$ at 100, yielding 4.607 per cent.

The eagerly-awaited inflation data was better than anticipated, with the November producer price index falling 0.2 per cent, compared with an expected 0.1 per cent rise. Economists said the data confirmed the view that inflation is retreating. The news cheered the long end of the market, which is traditionally most sensitive to inflation fears.

FT FIXED INTEREST INDICES

	Dec 10	Dec 9	Dec 8	Dec 7	Dec 4	Year ago	High *	Low *
Govt.Secs(UK)	93.84	93.74	93.57	93.45	93.63	87.05	95.54	85.11
Fixed Interest	108.86	108.93	108.79	108.80	108.37	97.12	110.26	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed interest high since compilation: 110.26 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Dec 9	Dec 8	Dec 7	Dec 4	Dec 3
Gilt Edged Bargains	119.2	119.1	119.1	130.8	128.3
5-Day average	123.3	125.7	133.6	140.8	140.6

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.8435	+0.203	8.79	8.80	8.89
BELGIUM		8.750	06/02	104.9600	-0.020	7.98	8.02	7.97
CANADA *		8.500	04/02	103.4000	+0.100	7.97	8.01	8.04
DENMARK		9.000	11/00	100.6000	+0.430	8.89	9.06	8.61
FRANCE	BTAN	8.500	03/97	101.0952	-0.108	8.16	8.20	7.91
	OAT	8.500	11/02	101.8850	-0.170	8.21	8.25	8.06
GERMANY		8.000	07/02	103.9000	-0.260	7.41	7.39	7.34
ITALY		12.000	05/02	93.3050	+0.255	13.70†	13.77	13.54
JAPAN	No 119	4.800	06/99	101.5906	-0.026	4.49	4.45	4.59
	No 145	5.500	03/02	105.9897	+0.066	4.58	4.59	4.66
NETHERLANDS		8.250	06/02	105.0500	-0.250	7.48	7.50	7.52
SPAIN		10.300	06/02	87.5600	+0.400	12.58	12.78	12.64
UK GILTS		10.000	11/96	108-24	-4/32	7.40	7.35	6.87
		9.750	08/02	108-21	-11/32	8.42	8.39	8.04
		9.000	10/08	102-18	-14/32	8.70	8.71	8.52
US TREASURY *		6.375	08/02	97-14	+5/32	6.74	6.92	6.93
		7.625	11/22	102-11	+4/32	7.43	7.56	7.66
ECU (French Govt)		8.500	03/02	97.6550	-0.210	8.88	8.83	8.81

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

NatWest expands with first branch in Italy

By Haig Simonian in Milan

NATIONAL Westminster Bank yesterday opened its first Italian branch, 24 hours after spending L185bn ($133m) on a hotel chain in precisely the kind of "structured" transaction in which the new Italian operation is to specialise.

The new branch, bought from Continental Bank of the US, will be part of the operations of NatWest Markets, the bank's corporate and investment banking arm. NatWest's retail banking operations are already represented in Italy through a 19 per cent stake in Creditwest, a small bank majority-owned by Credito Italiano.

The new Italian operation will mirror NatWest Markets in combining traditional lending to big companies and banks with a variety of corporate finance and treasury skills. Its target customers will be Italy's 200 biggest banks and companies. The new office, which received branch status from the Bank of Italy in October, will not affect NatWest's participation in Creditwest.

Mr Martin Owen, chief executive of NatWest Markets and a board member of the parent company, confirmed this week's purchase of 15 hotels from AgipPetroli, which has set up a joint venture with the Forte hotels group, was part of a wider deal.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. *Latest prices at 7:00 pm on December 10*

U.S. DOLLAR STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; SWISS FRANC STRAIGHTS; CONVERTIBLE BONDS; YEN STRAIGHTS — columns: Issued, Bid, Offer, Chg. day, Yield

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	0	62	18
Other Fixed Interest	0	14	1
Commercial, Industrial	250	272	896
Financial & Property	111	117	573
Oil & Gas	18	13	54
Plantations	1	0	8
Mines	23	25	94
Others	70	10	38
Totals	*473*	*513*	*1,682*

LONDON RECENT ISSUES

EQUITIES

Columns: Issue Price, Amount Paid up, Latest Renunc. Date, 1992 High, Low, Stock, Closing Price, +or-, Net Div., Times Cov'd, Gross Yield, P/E Ratio

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Issue Price	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price	+or-
25	F.P.	1/3	20	10	Property Trust	14	
465	Nil	19/12	138pm	120pm	Tibbett & Britten	137pm	

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. e Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ¶ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Dec. 7
- Last Dealings Dec. 18
- Last Declarations March 11
- For settlement March 22

3-month call rate indications are shown in Saturday editions.

Calls in Amber Day, Arjo Wiggins, ADT, Crown Eyeglass, Flextech, Owners Abroad, Premier Cons., Queens Moat Hses., Stakis, Storm, Spring Ram, Tadpole Tech. and Wholesale Fittings. Double in Tadpole Tech.

FT-SE ACTUARIES INDICES

LIFFE EQUITY OPTIONS

Columns: Option, CALLS, PUTS

[illegible]

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Thu Dec 10	Day's change %	Wed Dec 9	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	128.13	-0.03	128.16	2.65	11.20
2	5-15 years (25)	144.85	-0.21	145.39	2.22	12.77
3	Over 15 years (6)	151.92	-0.40	152.54	2.84	11.89
4	Irredeemables (6)	171.81	-0.85	171.10	1.39	13.68
5	All stocks (61)	141.46	-0.17	141.99	2.38	12.35
	Index-Linked					
6	Up to 5 years (2)	183.23	-0.14	183.48	0.75	3.68
7	Over 5 years (10)	164.08	-0.50	163.91	1.30	3.99
8	All stocks (12)	164.58	-0.45	165.33	1.30	3.96
9	Debs & Loans (62)	123.12	+0.16	122.93	2.54	11.15

AVERAGE GROSS REDEMPTION YIELDS

Columns: Thu Dec 10, Wed Dec 9, Year ago (approx.)

[illegible]

Compass makes £35m despite recession

By Richard Gourlay

THE COMPASS Group increased pre-tax profits by 9 per cent in spite of the effect of recession on both its healthcare and contract catering businesses.

The group, which failed to buy rival Gardner Merchant from Forte in the summer, also signalled that it had its hands full attacking the UK catering market and would only consider a move into Europe in the medium term.

Pre-tax profits in the year to September 27 1992 rose from £32m to £34.9m on sales up 7 per cent, from £321m to £345m.

Earnings per share rose 9 per cent to 34.7p (31.9p) and the total dividend is increased to 12.3p (11.4p) via a final of 8.11p.

A net £2.3m extraordinary charge covered the costs of the failed purchase of Gardner Merchant.

Debt was reduced by £3.1m during the period from cash flow, but has since risen to £72m as a result of the acquisitions of Travellers Fare and Letherby and Christopher, the events catering business.

Operating profits from the contract catering business rose 4.5 per cent to £27.6m.

Margins slipped from 10.1 per cent to 9.7 per cent, partly because larger contracts were secured at lower margins.

New business helped sales increase by 9.5 per cent to £285.8m, in spite of the higher number of business failures which meant there were fewer people on site.

The Healthcare division increased margins to 21.5 per cent and operating profits to £12.3m, in spite of a low occupancy rate and reduced demand from self-pay or "uninsured" patients.

Mr Francis Mackay, chief executive, said the National Health Service reforms continued to move the market in Compass's direction and provided significant opportunities.

He also laid out a strategy to focus the company's attack on the £6bn UK catering market.

The business is being split into seven discreet marketing operations.

These will cover workplaces, educational establishments, prestige sites, boardrooms, travel outlets, shops and hospital catering.

● COMMENT

July's failure to secure the purchase of Gardner Merchant cost the company kudos as much as the £3.1m of lawyers and advisers' fees. Yesterday's results suggest the group may be leaving that substantially behind. Operationally, its success in moving profits ahead, in spite of tough markets, is impressive. What is more, the company's confirmation that Europe is again on the back burner, and with it any threat of an imminent rights issue, should encourage nervous shareholders. Interest cover remains high, even though gearing is starting to take on a 1980s look, but this has much to do with the small size of the balance sheet. Even though Compass has had a good run, a pre-tax forecast of £37.5m, giving earnings of 37.2p, means an undemanding prospective multiple of 13.3, cheap relative to the market and even cheaper against comparable companies.

Stock Exchange poised to axe USM

By Peggy Hollinger

THE STOCK Exchange is expected to announce its recommendation on the future of the Unlisted Securities Market in the week before Christmas.

It is almost certain to recommend the closure of the market, set up 12 years ago to cater for smaller companies.

The recommendation will be made in a consultative document, prepared for the Stock Exchange quotations committee after extensive consultation with the 300-odd USM-traded companies.

Following the announcement, companies and market participants will have about eight weeks to make their objections known. A final decision is likely to be taken around March.

The actual date of the closure is uncertain, but it is possible that the market could be closed to new issues by the middle of next year.

Companies have been increasingly reluctant to join the USM in recent years. Since 1989, the number of companies traded has fallen by a third and the value of the market has halved.

However, Mr Ronald Cohen, of venture capitalist firm Apax, argues the USM has been a "huge magnet to UK entrepreneurs". The market's decline in volume "merely reflects the impact of recession on small businesses," he said recently.

"The simple abolition of the USM will pose a serious threat to investment in younger businesses at a time when job creation is dependent on them."

GUS shows 6% improvement

By Andrew Bolger

GREAT UNIVERSAL Stores, the mail order, retail, financial services and property group, increased interim profits by 6 per cent but said the economic situation remained difficult.

Pre-tax profits rose from £183.7m to £194.8m in the six months to September 30, while sales increased by 6.4 per cent to £1.25bn (£1.71bn).

The group said the home shopping side lifted sales by 5 per cent to £780.5m, helped by increased investment in warehouses, distribution and marketing, and operating profits rose by 4 per cent to £81.5m.

Overseas retailing boosted operating profit by 24 per cent to £10.8m on turnover of £83.3m, a rise of 6.4 per cent. South Africa produced a good result, but the Canadian performance had been affected by economic problems.

Sales of Burberrys products, including royalties, rose 10 per cent to £71.2m with operating profits were up 6 per cent at £12.5m.

GUS said prudent lending policies enabled the consumer and corporate finance division to contain bad debt and this contributed to a modest 1.5 per cent rise in profits to £62.1m on sales of £311.2m, a rise of 8.8 per cent.

Reviews of existing leases saw rental income from the property division increase by 11.9 per cent to £25.3m.

GUS said: "The recent turbulence in the currency markets and rapidly fluctuating interest rates represent a basic malaise in an unsettled economic climate, making forward business planning hazardous and complex."

Earnings increased from 49.2p to 51.4p. The interim dividend is 13.75p (12.75p).

● COMMENT

GUS's A shares closed 35p down at £16.18, reflecting both that these profits were slightly below some expectations and the cautious tone of the terse accompanying statement. GUS said sales since the half-year had been satisfactory, but the volatile nature of trading made the outlook difficult to predict. Net cash is above the year-end total of £590m. Falling rates mean lower interest income, but the group contends that should be more than offset by the impact of cheaper money on consumer spending. Overseas earnings, accounting for nearly a fifth of group profits, benefited from the translation being made post-devaluation. Forecast full-year profits of £470m put the shares on a prospective multiple of 12.6. The shares have had a good run from £12.80 in the past year, and were no doubt overdue for some profit-taking. However, they appear to have little downside at this level, given the group's consistent record of earnings growth.

Improvements in mail order benefit Fine Art

By Peter Pearse

IMPROVEMENTS IN its mail order side helped Fine Art Developments lift pre-tax profits by 10 per cent, from £4.49m to £4.95m, in the six months to September 30.

Mr Keith Chapman, chairman, said that Express Gifts had added more new agents through a successful recruitment campaign, and Mr Keith Brown, associate director, added that orders there were up more than 40 per cent as a result.

The mail order side was also reaping the benefits of past investment in the Accrington site: customer service levels were improved and there was a "significant" increase in order levels, though at lower average values.

Hope Education lifted sales "in a difficult educational market", and Home Farm Hampers was expected to make "a very satisfactory increase" in the second half where all its business falls.

Progress in the card and paper products division was more modest.

Group turnover rose 9 per cent to £120m (£109.8m), largely, said Mr Chapman, "by aggressive marketing". Operating profits edged ahead to £9.79m (£9.71m) because of lower margins, though the figure included a £2.3m charge for the closure costs of Matador Paper Mills and a £2.17m credit from the sale of the Next stake.

Reduced rates led to a fall in interest charges to £4.84m (£5.22m), though the group paid £4.4m to exercise its final option to lift its stake in Grattan from 10 to 15 per cent.

Earnings advanced to 4.54p (3.86p) per share and the interim dividend is raised to 3p (2.7p).

Eve halts three-year decline with 43% gain

By Matthew Curtin

EVE GROUP, the USM-quoted electrical and building contractor, turned in a 43 per cent surge in pre-tax profits from £1.81m to £2.59m in the six months ended September 30, 1992.

Turnover improved to £27.6m (£19.2m), while earnings per share climbed from 12.8p to 18.3p. The interim dividend is held at 2.7p.

Although the group arrested a three-year decline in profits, it warned it would not maintain the improvement in the second half.

Mr Gerald Hough, managing director, said results in the second half of last year were exceptionally good and interim profits were boosted by the timing of contract completions.

"Although profits in the current six months will not compare with either of these periods, I am confident Eve will at least match last year's profits at year-end," he said.

Eve benefited from interest income of £300,000 and steady revenue derived from its core electrical business: contracts were entered into with the National Grid for electrical transmission line systems and more were in place for 1993.

There were increased contributions from the group's Trakway division, a supplier of temporary road surfaces and bridges, and electrical contractor Arclive. The property development division was "dormant" but could break even by year-end.

Mr Hough said Eve had cash reserves of £7m, and was keen to make new acquisitions in related businesses. The group bought Graham Brothers, an electrical systems group, for £2m in October.

Amstrad vote halts battle

By Michyo Nakamoto and Paul Taylor

THE TRUCE after the four-week battle to take Amstrad private came yesterday as shareholders voted by a clear majority to keep the computers and consumer electronics company in the public domain.

Out of Amstrad's 31,000 shareholders, 13,366 voted in person or by proxy with 58.7 per cent against Mr Alan Sugar's proposal to buy back the shares and 41.3 in favour. Mr Sugar needed at least 50 per cent of those voting to back the scheme in order for it to proceed.

As the votes were being counted, Mr Sugar, who had already conceded defeat, and most of the 150 shareholders attending yesterday's special meeting, set their sights on the future, and focused their discussion on where the company should go from here.

"Life goes on," was Mr Sugar's response to a shareholder's query on what he intends to do now that the company was not going to go private. "I'll be there tomorrow in the office at 9 o'clock." Any plans for the company were the same whether it remained public or went private, he emphasised.

Mr Sugar reiterated the need to shrink Amstrad's operations but refused to specify which particular businesses the company would retreat from. "We are only going to produce and manufacture products that are going to give us a margin," he told one questioner.

Asked about whether the effort of the past four weeks had been worthwhile, the Amstrad chairman responded philosophically. "I'm a big boy. It was just another business venture that was tried and didn't work."

One shareholder wanted to be reassured that Mr Sugar would not now sell his 35 per cent stake. Mr Sugar replied that he had no immediate plans but that if someone were to offer him, and other shareholders, 31p, he would accept the offer.

Mr Sugar now faces a dilemma. If he manages to pull the company back to profitability and the share price rises, he will be accused of having tried to buy it back cheaply.

On the other hand, if Amstrad's shares fall further he has much to lose as owner of a large equity stake. "I'm stuck in a certain way," Mr Sugar admitted, adding that he would not stand in the way of the share price rising.

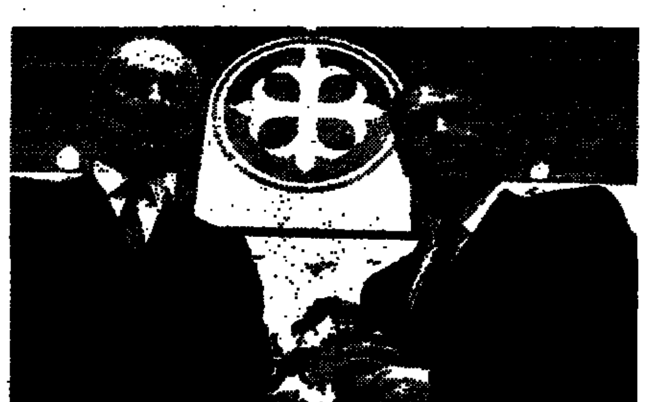
But the man who was defeated by a small shareholders' coup, indicated he was not ready to make many more concessions to those whom he dismissed as "prime karaoke candidates".

He was equally dismissive of the company's institutional shareholders, some of whom publicly slated Mr Sugar for the lack of independent directors and the absence of any financial forecasts for the current year.

Amstrad has agreed to appoint two non-executive directors, but Mr Sugar accused the institutions of "gracefully burying their heads in the sand", when they were offered the chance to vet potential candidates.

Pilkington maintains dividend despite 70% fall to £15m

By Maggie Urry



Jeff Jones

Rough ride for Sir Antony Pilkington (left) and Roger Leverton

PILKINGTON'S share price rose yesterday, but the directors were given a rough ride when presenting the interim results to analysts.

They questioned the maintenance of the dividend at 2.93p, given that it was paid entirely from reserves.

There was little good news in the figures, which showed a 70 per cent drop in pre-tax profits from £50.6m to £15.1m in the six months to September 30.

This was is in spite of Pilkington taking an annual £150m of costs out of the business over the past three years, with a further £24m going in the first half.

Group turnover of £1.2bn was slightly up when sales of discontinued operations were excluded.

But operating profits of £46.7m compared with £89m, including £19.4m from discontinued operations, mainly the South African business.

Investment income and associates contributed £8.4m, down from £14.2m.

That left the interest charge of £37.4m (£48.6m), covered only 1.5 times. Exceptional items were £2.6m, against £4m, although they are likely to reach £10m for the full year.

The group's tax charge of £14.7m (£30.4m) was high because losses in the UK – of £8.3m at the operating level – could not be offset against tax paid on overseas profits of £56m. Advance corporation tax on the dividend could not be offset either.

After minorities took £6.7m (£12.4m) there was a loss for shareholders of £6.3m (profit £7.8m) or 0.8p a share (earnings of 1p).

The shares added 3p to 87p.

Mr Roger Leverton, who became chief executive in July, said capacity utilisation was about 85 per cent. Variable costs of production were low.

About 10 per cent of sales were of new, higher technology products introduced in the past five years, which earned much higher margins than standard products. Mr Leverton said he aimed to increase their contribution to 15 per cent of sales.

Another aim was to continue to cut costs. Capital spending had totalled £1bn over the past three years, but this would be cut, working capital would be squeezed further and debt brought down.

Operating profits from flat and safety glass fell to £38.3m (£52.3m). The decline in European profits from £32.7m to £17.2m and North American to £2m (£6.5m), was offset partly by a £6m rise from other areas to £19.1m. Visioncare, which includes Sola and the US contact lens business, had flat profits of £11.6m.

COMPANY NEWS: UK

Improved efficiency gives boost to regional electricity companies

Midlands shows 24% advance

By David Lascelles, Resources Editor

SHARP COST reductions helped Midlands Electricity raise pre-tax profits by 24 per cent to £33.4m for the half year to September 30, in line with expectations.

The outcome was achieved on turnover up by almost £44m to £661m.

The West Midlands-based utility is raising its interim dividend to 6.35p, against 5.65p last time. This is expected to be about one third of the year-end total (17.25p).

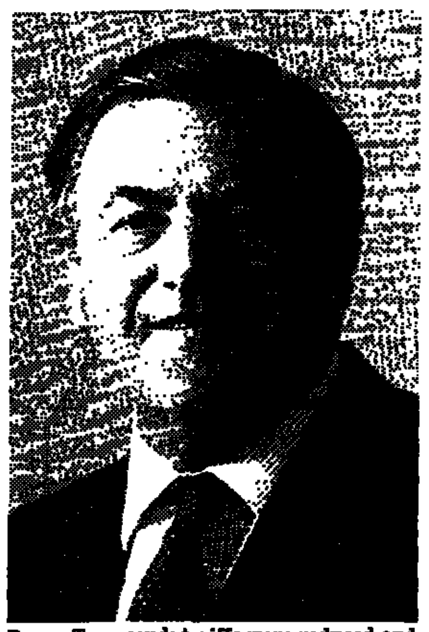
Mr Bryan Townsend, chairman and chief executive, said the strong financial performance had been achieved while reducing tariffs, increasing investment in the electricity distribution network, and continuing to improve customer service.

The interim result reflected the seasonal nature of Midlands' business, with the first half producing a weaker result than the second.

In the core electricity business, distribution activities earned an operating profit of £61.2m, up slightly from £60.2m in last year's first half.

The supply business lost £23.7m – an improvement on last year's interim loss of £32.1m, which became a profit of £8m in the full year result.

The retailing and contracting businesses were both in the black, with a combined operating profit of £2.4m.



Bryan Townsend: tariffs were reduced and customer service continued to improve

Mr Richard Young, managing director, said cost reductions played a big role in the result. The company has cut its payroll by 500 in the past two years, and overall costs were down 4 per cent.

Mr Peter Chapman, finance director, said gearing had been reduced to virtually zero, with a resulting fall in interest charges. He expected to repay remaining government debt early next year.

Midlands' policy would be to pay dividends on the back of solid earnings growth which matched that of other regional electricity companies, Mr Chapman said, although he declined to state specific numbers.

Earnings per share were up 20 per cent on last time at 11.3p.

● **COMMENT**

The combination of solid earnings gain and further strengthening of the balance sheet confirmed Midlands' place as one of the better favoured recs. Key points in the result are further gains on the cost reduction front and continued fall in gearing. True to its conservative style, the company refused to be drawn into specific dividend forecasts yesterday, and the payout was slightly below expectations, which may have accounted for the 2p shed by the share price. However, the result gives only a partial indication of the full-year outcome because of the heavy weighting of the second half. Although the electricity supply business repeated its heavy first-half loss, it was less than last year's and points to a profit in double figures for the full year. The shares show a prospective yield of 5.6 per cent, putting them at the low end of the rec range.

Interest cut helps Sweb to 17% rise

By Angus Foster

SOUTH WESTERN Electricity, the regional supplier from Bristol to Land's End, yesterday reported steady growth from electricity distribution, but disappointing results from Sweb Retail, its High Street domestic appliance division.

Pre-tax profits increased 17 per cent, from £13.6m to £15.9m, in the six months to September 30, helped by a lower interest charge on reduced net borrowings.

Mr John Seed, yesterday promoted from managing director to chief executive, said electricity sales fell on average 1 per cent due to recession. But the company continued to improve efficiency levels and remains on course to easily achieve its three year target to cut costs 10 per cent by the end of next year.

Turnover increased 5.2 per cent to £381.4m helped by average price increases of 3 per cent, with a 1 percentage point discount for customers switching to standing orders.

Operating profit from electricity distribution was little changed at £35.4m (£35.6m) despite a 6 per cent increase in sales to £107.5m.

Electricity supply, where profits are strongly skewed towards the second half, incurred losses of £12.8m (£16.7m).

Sweb Retail increased sales 31 per cent to £32.8m upon integration of the outlets of its joint venture partner, South Wales Electricity. But the division reported a loss of £2.6m (£200,000), due to recession and bad debt provisions of £1.2m.

Net borrowings were reduced to £84m (£99.7m), gearing fell from 25 per cent to 19 per cent and interest charges were £1.6m lower at £6.5m. Tax took £3.5m (£3.2m).

Earnings per share were 19 per cent higher at 10.1p (8.5p). The interim dividend is raised by 12 per cent from 5.25p to 5.9p.

● **COMMENT**

Although the weather will still play its part, these figures suggest another strong year for South Western. Combined operating profits from distribution and supply increased 20 per cent, despite flat sales, as improved efficiencies flowed through. The rise in the dividend, while in line with other recs, looks confident. Longer term, the company must hope its efficiencies, customer service improvements and "under-recovery" of price increases will stand it in good stead upon regulatory review in 1995. On the downside, the company remains more highly geared than many in the sector, and cash generation is weaker. Full year forecasts of £97m put the shares on a prospective yield of 5.9 per cent, characteristically towards the low end of the recs' yield range.

Wage cuts as Archer dives to £938,000

By Richard Lapper

AJ ARCHER, the Lloyd's agency, is to cut senior staff salaries by at least 10 per cent as part of a vigorous programme of cost reduction.

"There has got to be rationalisation," said Mr Richard Maylam, chairman. Reductions in staffing – which has risen to more than 200 following the takeover of Kellett agencies – were not ruled out.

Details of the moves emerged yesterday as Archer announced a sharp fall in pre-tax profits to £938,000 (£2.12m) for the year to September 30.

Earnings fell to 3.1p (8.7p) and although the dividend is maintained at 4.4p with a final of 2.2p, Mr Maylam warned that shareholders could expect a reduced pay-out next year.

Archer announced cutbacks earlier this year but is now preparing more radical surgery in the wake of one of the most difficult years at the insurance market.

Record 1989 losses of £2.06bn, which Lloyd's reported in June in line with its three-year accounting policy, have depressed profit commissions paid by Names to agents across the market.

At Archer, profit commissions fell from £2.21m to £718,000 and with further losses from the 1990 and 1991 years in store, the immediate outlook is gloomy.

Operating expenses rose to to £2.63m (£2.41m), the increase attributed to some £200,000 in costs arising from takeover negotiations between Archer and Cuthbert Heath, a rival agency. The talks were called off earlier this week after the two companies failed to agree terms.

Mr Chris Burton, a director, said "the impact of the cuts would be immediate and permanent", although precise details were still being worked out.

British Land improves 12% and sees sound outcome

By Vanessa Houlder, Property Correspondent

BRITISH LAND, the property company chaired by Mr John Ritblat, yesterday announced an 12 per cent rise in pre-tax profits from £10.2m to £11.4m for the six months to September 30.

Mr Ritblat, one of the most prominent investors in the property market over the past two years, said he was confident about the market. "I have not altered the view expressed in June that the direct property market has now seen the worst of the recession."

The results reflected the emergence of some long-term benefits from the company's active buying programme during the downturn, he said. He expected a sound outcome for the current financial year. "Unless buffeted by accidents, financial or political, we remain well placed."

The results, in line with expectations, together with a greater-than-expected dividend increase, sent the shares up 4p to 174p.

Since the last year end, British Land has bought £78m of property although Mr Ritblat said that an improvement in property yields had reduced the flow of suitable investments properties.

The acquisitions included the outstanding interest of offices at Finsbury Avenue in the City of London, Teesside Retail Park and Greyhound Retail Park in Chester. In addition, the company spent £13m on updating its portfolio.

Net rents were 17 per cent higher at £54.4m (£46.6m) while the interest bill was £45.9m (£38.5m), excluding £1m (£600,000) of capitalised interest. The portfolio's voids remained at 2.5 per cent, excluding two development properties.

Earnings per share were 3.8p (3.6p), up 5.6 per cent. The interim dividend is increased by 10 per cent from 2.07p to 2.28p.

US buy helps Whessoe to £8.3m

By Peggy Hollinger

WHESSOE, the acquisitive engineering and pipework group, yesterday announced a 13 per cent increase in annual pre-tax profits to £8.3m, largely due to the acquisition of a US company at the beginning of the year.

Mr Chris Fleetwood, chief executive, said the £11m purchase in January of Varec, a manufacturer of tank gauges and vapour control products, had been a "reasonably significant" feature of the improved performance.

Group sales rose by 38 per cent to £79.7m for the 12 months to September 30.

The final dividend is increased by 0.2p to 2.2p, for a total of 8p (7.2p). Earnings per share at 26.3p were 8 per cent ahead, in spite of the £8m rights issue to fund the Varec purchase.

The instrumentation division, of which Varec forms a part, improved operating profits by 46 per cent to £2.7m. Mr Fleetwood said Whessoe Varec had performed to expectations.

In the year to September 30 1991 Varec had produced profits before tax and interest of £1.2m.

Piping systems improved profits from £3.8m to £5.1m. This was partly due to the inclusion for a full 12 months of Connex, acquired in 1991, and also to increased business from the gas-powered energy stations being built in the UK.

The group's project engineering division suffered an 11 per cent decline to £450,000. Mr Fleetwood said Whessoe aimed to sell or close this business.

Contracts, and their accompanying risk, had become far too large for a company the size of Whessoe, he said.

A provision of £600,000, which was expected to cover the costs of selling or closing the division, had been taken below the line.

Recession blamed for ERF loss

By John Griffiths

THIS YEAR'S deep recession in the UK commercial vehicle market, the most severe since the second world war, was awarded much of the blame by ERF (Holdings) for its descent into a pre-tax interim loss of £2.73m, compared with a profit of £330,000.

Described as "disappointing" by Mr Peter Foden, chairman of what is now the UK's last quoted independent heavy truck maker, the result was, nevertheless, little worse than the market had been expecting. The shares closed down only 5p at 135p.

About one third of the loss was attributed to exceptional costs associated with developing a new product range, the group's first sales expansion into Europe and further redundancies.

Severe trading conditions in the UK, with heavy discounting further eroding profit margins, was the main factor in a loss at the trading level of £1.77m after interest, compared with a profit of £612,000. Weakness in some overseas markets outside Europe also took part of the blame.

Some analysts last night expressed mild reservations about ERF's seeming determination not to slow the pace of any of its market expansion or product programmes. Mr Foden said yesterday these would result in further exceptional costs of about £1m in the second half of the year.

But he pointed to the first signs of recovery in the UK truck market and a relatively mild deterioration in ERF's gearing, as justification for the company staying on its present course. Currently, gearing was 26.7 per cent.

There is no interim dividend, compared with 2p, and Mr Foden said payment of a final would depend on second-half trading performance.

The results were achieved on turnover of £54.64m (£53.42m).

Pre-production costs of the new truck range, to be launched next year, accounted for £450,000 of the exceptional costs, including interest. The setting up of a distribution infrastructure in continental Europe accounted for a further £343,000. Redundancy costs totalled £152,000.

API swings back into the black with £3.85m

By Peter Pearse

API GROUP, the packaging concern, swung back from losses to pre-tax profits of £3.85m on turnover flat at £62m in the year to October 3.

Last time's losses of £470,000 were restated from profits of £703,000 because defence costs against the failed takeover offer from NMC, a rival packager, previously defined as extraordinary costs, have been taken above the line as exceptionals. Gross profit margins improved from 23.5 to 26.3 per cent, a rise of 11 per cent.

A proposed final dividend of 4.45p lifts the full-year pay-out 11 per cent to 7.5p, which was forecast at the time of the NMC bid. It is payable from earnings of 12.8p (restated losses 2.4p), "the first time in three years we've had such cover", according to Mr Dennis Holt, finance director.

Mr Moger Woolley, chairman since February, said the profits turnround was due to operating profits up £2.01m at £2.71m, interest charges down at £179,000 (£427,000) and a swing in exceptionals from a debit of £1.74m to a credit of £321,000.

In the image enhancement division, operating profits more than doubled to £2.52m (£1.11m), while profits from converted film and paper products grew to £2.03m (£1.1m).

The only fly in the ointment was the heating and ventilating systems division which was affected by the weak property market. Profits fell to £230,000 (£499,000).

TVS takes another step nearer US ownership

By Raymond Snoddy

THE SALE of TVS to International Family Entertainment took another step forward yesterday.

On a show of hands, shareholders of the company, which loses its ITV franchise at the end of this month, passed a resolution to change the company's articles of association which blocked anyone holding more than 10 per cent of the *voting rights. The IFE offer is* worth about £43m in shares with a cash alternative of some £36m.

However, many preference shareholders are unhappy about the sale and believe the opposition among preference shareholders might be strong enough to block the deal.

Mr Julian Tregor, of Restructuring Advisers, who speaks for a number of unhappy preference shareholders called yesterday for further negotiations.

Dunkeld takes the plunge into financial restructure

DUNKELD GROUP, the small shirt manufacturer that has *mustered the support of the* Northern Ireland Industrial Development Board and the Bank of England in its struggle for survival, yesterday announced a further restructuring and two acquisitions, writes Richard Gourlay.

The Northern Ireland and London-based Dunkeld has convinced its bankers, Hill Samuel, to convert £5.9m of debt into equity.

Bank of Ireland Corporate Finance, Dunkeld's advisers, is also raising £1.7m in a share placing which will be at a price equivalent to 35p after a share consolidation.

The reorganisation means that one year after Dunkeld nearly slipped into bankruptcy, the £8.1m deficit on revenue reserves before yesterday's deal is to be eliminated allowing the company to resume paying a dividend.

In parallel with the reorganisation of the balance sheet, Dunkeld is beefing up its operations.

The group is paying £1.05m, *mostly in cash, to Celestion* Industries for its Slix ladies swimwear business.

The company is also buying Tern Consulate, a private company that designs and supplies branded shirts and is under license to Dunkeld. Tern belongs to Mr Richard Lawson, a Dunkeld director, who is taking mostly shares in consideration for his interests.

The IDB, which supports employment creation in the province, is also converting £876,000 of preference shares into new equity, taking the its stake to 4.2 per cent.

Dunkeld, formerly Aitch and before that Munton Group, also *forecast pre-tax profits of not* less than £325,000 for the year to November 30 and not less than £2.4m after extraordinary items.

Following the capital reorganisation Dunkeld will have a market capitalisation of over £10.6m. Dunkeld's debt will fall from £13.1 m to £6.7m.

Scottish Equitable German link

By James Buxton, Scottish Correspondent

SCOTTISH EQUITABLE is creating a joint subsidiary with Württembergische, the large German composite insurer, through which it hopes to make inroads into that country's pensions and life assurance market.

It is forming ARA (Allgemeine Rentenanstalt) in a joint venture with Württembergische Lebensversicherung, the life assurance arm of the Stuttgart-based quoted group.

The German company will own 51 per cent of ARA, with Scottish Equitable holding the remainder.

It is expected to begin operations in the second half of next year.

The creation of ARA is the culmination of two years of negotiation between Scottish Equitable and Württembergische.

The German life assurance market is being opened up to foreign companies thanks to *Germany's acceptance of European Community directives, as* party of the EC single market.

The two companies believe there will be a growing market for private personal pensions as demographic factors make it harder for German companies to continue to support adequately their corporate pension schemes.

The German government is also seeking ways of reducing its state pension provision and *is looking to the private sector* to become more involved.

ARA, which hopes to obtain a licence from the German regulatory authorities next April, will distribute its products through Württembergische's 1,800-strong network of tied agents.

Mr Paul Grace, Scottish Equitable's deputy chairman and managing director of the international division, said the venture took the Scottish company "one step nearer to marketing life insurance in Europe's largest and most exciting market."

Scottish Equitable, which is a mutual company, had £4.6bn under management at the end of last year.

Its pension policies accounted for most of its new premium income growth in the last two years.

LMS almost unchanged at £11.26m

By Richard Gourlay

Pre-tax profits at London Merchant Securities, the property and investment company, were almost unchanged at £11.26m in the six months to end-September.

This was in spite of a 10 per cent increased in net rental income from £13.7m to £15m.

London Merchant's earnings per share fell from 2.85p to 2.68p and the company declared an unchanged interim distribution of 0.8p.

During the period, First Leisure, the UK's largest leisure group, added only £1.8m to London Merchant's profits after the reduction of the company's stake to 15.3 per cent since April 1991.

Lord Rayne, chairman, said that in spite of the fall in central London office values there were encouraging signs of increasing interest in the group's recently completed buildings.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
API	fin	4.45	Feb 12	4	7.5	6.75
Archer (AJ)	fin	2.2†	Feb 26	1.25	4.4	4.4
Booth Inds	int	0.7	Feb 12	0.7	-	3.2
British Land	int	2.28	Feb 25	2.07	-	6.35
Compass	fin	8.11	Mar 26	7.55	12.3	11.4
Eldridge Pope §	fin	1.94	Feb 5	1.76	3.25	2.84
Eve §	int	2.7	Mar 23	2.7	-	9.7
Fine Art	int	3	Jan 27	2.7	-	11
Fuller Smith §	int	2.4	Jan 21	2.25	-	6.71
GUS	int	13.75	Mar 29	12.75	-	40
Hunter Saphir	int	0.5	Feb 12	1	-	2.5
IWP	int	3‡	Jan 8	2.75	-	6.6
Johnson Firth	fin	2	Feb 3	2	3	3
Ldn Merchant Sec	int	0.8	Feb 6	0.8	-	3.8
Lynx	fin	0.75	Mar 1	0.75	1	1.25
Midlands Elect	int	6.35	Mar 24	5.65	-	17.25
Moorgate Invest	int	1.7	Feb 3	1.7	-	5.5
Moorgate Small	int	1.8	Jan 29	1.8	-	4.125
Novo	int	0.3	Jan 22	nil	-	nil
Pilkington	int	2.93	Feb 23	2.93	-	6
South West Elect	int	5.9	Mar 22	5.25	-	17.4
Taunton Cider	int	2.4	Feb 18	-	-	-
3i	int	8.9	-	3.3	-	10.9
Whessoe	fin	5.8	Jan 29	5.2	8†	7.2

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish currency.

Fierce price war takes toll on outcome at JFB

By Peggy Hollinger

FIERCE PRICE competition contributed to depressed profits at Johnson & Firth Brown, the metals and engineering group. Pre-tax profits for the year to September 30 declined 19 per cent from £8.87m to £7.15m.

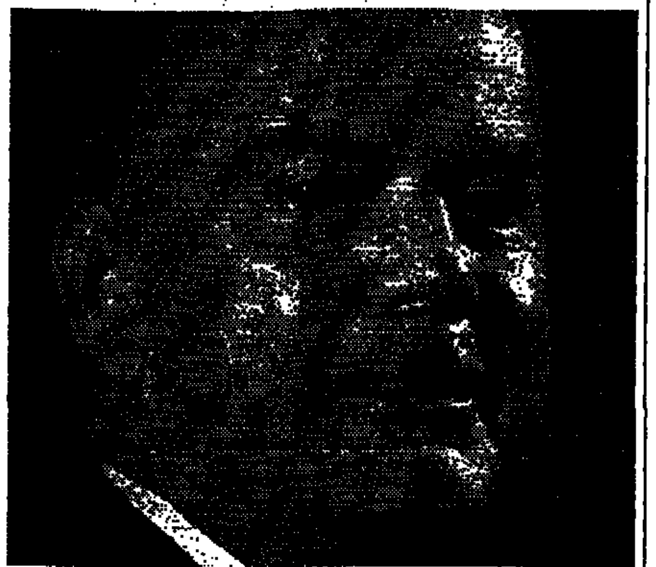
It also announced the appointment of a new non-executive chairman, Mr Martin Llowarch, former chief executive of British Steel. He was named deputy chairman in June and will replace 65-year-old Mr John Clay, who retires at the annual meeting.

During the year the group experienced "unprecedented pressure on margins"; competition was especially severe from Germany. In the current year, the devaluation of sterling was expected to help JFB "fight against some fairly frightening price cuts," said Mr Llowarch.

JFB was also taking steps to cut costs, including more than a 6 per cent reduction in the workforce. The group had taken a £750,000 exceptional charge in 1991 to cover the costs of rationalisation.

The final dividend is maintained at 2p for a total of 3p. Mr George Hardie, joint managing director, said this was an indication that JFB did not think things "will get worse". Earnings per share fell from 4.7p to 3.5p.

Two acquisitions – for a total of £3.5m – helped JFB increase sales by 4 per cent to £124.2m. The companies contributed £5.9m in sales and



Martin Llowarch: help from the devaluation of sterling

£546,000 to operating profits. Mr Hardie said sales from continuing businesses had actually fallen by 9 per cent.

The sharpest decline was in Firth Rixson, which supplies rolled rings for engines to the depressed aerospace industry, as well as other sectors. Operating profits tumbled from £4.2m to £1.8m, on sales 8 per cent lower at £58.3m.

Mr David Hall, joint managing director, stressed that business was not expected to fall further, in spite of a hard-pressed aerospace industry. Aerospace formed just 23 per cent of JFB's overall sales, he said, with Firth Rixson increasingly concentrating on opportunities in power generation. He also said the group was in talks on the acquisition of a US company which would broaden JFB's product range.

The castings division saw a 9 per cent decline in on-going sales, and a 7.5 per cent fall in profits to £888,000. It benefited from an increase in exports.

Light engineering, which manufactures products such as cables and machinery, virtually maintained profits at £4.4m (£4.5m) on sales 12 per cent higher at £49.4m. The increase came from the inclusion for a full 12 months of Cobden Chadwick, the printing press manufacturer, acquired for £3.8m in November 1990.

Investment write-down takes shine off 3i

By Charles Batchelor

THE RECESSION and a sizeable write-down of an investment in the UK's largest management buy-out took the shine off the half-year figures of 3i, Britain's largest venture capital group.

Net assets fell by 6.4 per cent to £1.19bn in the six months ended September 30. This compared with a 2.9 per cent rise in the FT-A All-Share Index and an 8.2 per cent decline in the Hoare Govett Smaller Companies Index.

Net assets per share fell from 538p to 503p.

The interim dividend is maintained at 3.3p. The total last year was 10.9p.

The fall in net asset value was due to the decision to write down 3i's £28m mezzanine capital investment in Isosceles, the parent of the Gateway supermarkets group, which staged a £2.37bn buy-out in 1989. 3i has already written off the value of its equity holding.

Asset value was also affected adversely by the fall in the French stock market and a 3 per cent decline in the value of its UK equity portfolio. 3i has equity investments, mostly in unquoted companies, worth £120m in France.

The easing of the company's internal valuation rules earlier this year did not have a material impact on the figures, Mr Brian Larcombe, finance director, said.

Dividend income rose to £44.4m (£42.5m) while net profit from disposals and flotations of portfolio companies was static at £35.8m.

Pre-tax revenues fell from £28.1m to £21.9m, partly because £3.4m was charged to reorganisation costs. The action is expected to produce annual cost savings of £5m from next year. Net provisions rose to £46.9m (£42.5m).

Gross investment levels in the half-year fell to £200m. This compared with £283m in the preceding six months and a further decline is expected in the current period.

There was not any sign of a desire on the part of 3i's portfolio companies to make significant investments in assets, Mr Larcombe said.

The group's flotation, originally planned for early 1992, was last month delayed further because of the recession. The board has postponed even taking a decision on the flotation until next year, prompting speculation in the venture capital industry that it may not now proceed.

Lynx back in black

Lynx Holdings staged a recovery in the second half, turning round from a midway loss to finish the year to September 30 with a pre-tax profit of £115,000, compared with a restated £224,000.

Following the cut in the interim dividend, the final is held at 0.75p for a total of 1p (1.25p). Earnings per share were 1.34p (2.86p). Turnover surged to £7.44m (£4.06m).

Three drinks companies report varying levels of profits growth

Taunton gains in buoyant market

By Philip Rawstorne

TAUNTON CIDER, floated on the Stock Exchange in July, reported a 23 per cent increase in first half pro forma pre-tax profits, from £7.5m to £9.9m.

Strong gains in a buoyant market by its premium cider brands lifted operating profits 17 per cent to £10.2m.

Earnings per share rose from 4.7p to 6.1p; and a first interim dividend of 2.4p is declared.

Proceeds from the flotation reduced borrowings from £10.4m to £1.1m, and interest charges fell by £2.6m to £2.2m, contributing to actual pre-tax profits of £8m (£3.7m).

In contrast to the falling demand in other drinks sectors, the UK cider market increased volume sales by 7 per cent in the year to September.

Taunton – dominating industry advertising with expenditure of £7m this year – outperformed the market to increase its share to nearly 34 per cent.

Diamond White volumes grew 17 per cent and Brody, launched in May, sold 1m bottles in its first six weeks.

In the draught sector, Dry Blackthorn recovered with a volume gain of 3 per cent, and Red Rock expanded distribution from 3,000 to 7,000 pubs. Four new brands have been launched into test markets.

A good apple harvest this year has enabled Taunton to buy juice "at favourable prices", said Mr Peter Adams, chief executive.

"Though market growth has slowed, premium brands are increasing share, and we are well placed to continue to grow both sales and profits," he added.

Fuller Smith hit by recessionary trends

By Graham Deller

FULLER SMITH & Turner, the USM-quoted brewer, yesterday said that its profits had been "severely affected by the ongoing recession."

On turnover ahead 7 per cent to £40.9m, pre-tax profits for the six months to September 26 improved just 4 per cent, from £3.61m to £3.76m.

Once again, a strong performance in the free trade – draught ale volume increased by 39 per cent – was offset by reduced sales in its own estate and lower profits from the hotels and wine sides.

Overall beer volumes increased by 8 per cent representing a "significant increase in market share" according to Mr Anthony Fuller, chairman. Of the company's three cask-conditioned ales, London Pride increased volumes by 23 per cent, while Chiswick Bitter rose 12 per cent and the premium ESB by 8.5 per cent. Exports jumped 38 per cent with the US proving particularly successful.

The Chiswick brewery was currently operating at record levels. Mr Michael Turner, managing director, said the installation of new mash tuns, due to be completed next summer, would increase capacity to 160,000 barrels a year.

The hotels operation suffered from increased competition in the Heathrow area which depressed the average room rate. Profits in the expanding wine side dipped 13 per cent.

Earnings declined to 10.13p (11.62p) reflecting the return to a normal tax charge after a one-off credit last time. The interim dividend is 2.4p (2.25p).

Eldridge Pope recovery continues with 46% rise

By Philip Rawstorne

ELDRIDGE POPE, the Dorset-based brewer, continued its recovery from 1990 losses on hotel and computer ventures with a 46 per cent increase in full-year pre-tax profits from £1.1m to £1.61m.

The result was achieved in spite of "bleak summer trade", said Mr Christopher Pope, chairman. "I am glad to say that trading has stabilised into a more normal pattern since."

Earnings per share for the year ended September 30 rose from 5.5p to 8.3p. A proposed final dividend of 1.94p lifts the total by 23 per cent to 3.25p (2.64p). Mr Pope pledged to increase dividends "to their full former real value as soon as earnings and prospects permit".

Operating profit rose 12 per cent to £3.49m (£3.11m) on turnover ahead 2 per cent to £43.1m (£42.2m).

Sales of cask ale rose 6.8 per cent, helped by a 10.4 per cent increase in volumes of the premium Thomas Hardy bitter brand. Wine sales improved 6.6 per cent. Pub retailing profits increased by £400,000, with food sales ahead by 9 per cent.

Exceptional items included a £1.1m profit on sales of capital assets, partially offset by a provision of £400,000 against future restructuring costs. Costs last time were £481,000. In the previous year there was an extraordinary charge of £150,000.

Net interest charges fell 6.4 per cent to £2.18m (£2.33m). A write-down of £9.4m in the value of the company's properties was charged to revaluation reserve.

AIB agrees deal on insurance liabilities

By Tim Coone in Dublin

ALLIED IRISH Banks, Ireland's largest clearing bank, has reached a settlement with the government on liabilities arising from its foray into the general insurance business in the early 1980s.

Under the agreement AIB will contribute I£8.8m (£9.4m) a year from 1993 for 20 years, which will be matched on a 50:50 basis by the government, to settle outstanding debts of the former Insurance Corporation of Ireland which went into receivership in 1985.

AIB said the contribution will be equivalent to 0.8p per share "and can be borne over the period without reducing the capital strength of AIB".

AIB had bought the Insurance Corporation in 1983 for I£45m, as part of a strategy to diversify into the general insurance industry.

AIB then found that the insurance company had "significant underprovisioning", mainly in its reinsurance business written through London.

AIB injected a further I£40m into the company before finally allowing the government to take it over and pass it into receivership in 1985.

Under the terms of the 1985 agreement, AIB was to advance I£70m for repayment in the year 2000, and contribute I£5.5m a year for 15 years to meet the insurance company's liabilities.

Its domestic business was sold off in 1990 to a joint venture of AGF, the French insurance group, and Irish Life. Its remaining business still faced unmatched liabilities of some I£270m in late-1991, so the government approached AIB for further funding.

Mr Peter Sutherland, chairman of AIB, said yesterday "The board considered the bank's participation, and the finality brought to the issues involved, to be in the best interests of its shareholders and staff, as well as meeting the concerns of customers and the community at large".

The 1985 agreement still stands under the new arrangement, but AIB was emphatic yesterday that it now has a solemn agreement with the government that no further contributions will be sought from AIB on the matter.

NEWS DIGEST

Hunter Saphir falls to £1m

SHARES OF Hunter Saphir, the fresh produce, herbs and spice group, yesterday fell 7p to 30p on news of a downturn in pre-tax profits from £1.82m to £1m over the 28 weeks ended September 12.

The previous interim figure, however, included a consequential loss claim credit of £1.6m.

Sales from continuing activities rose to £96m (£93.2m). Basic losses per share emerged at 1.46p (earnings 1.6p); fully diluted there were earnings of 1.3p (2.56p). The interim dividend is halved to 0.5p.

There was an extraordinary credit of £1.99m before goodwill, but after taking account of a £4.71m debit for goodwill previously written off the attributable loss worked through at £2.05m (profits £1.22m).

Booth Industries falls well behind

A reduced volume of work at Booth Industries resulted in a decline in turnover from £16.1m to £12m and in pre-tax profit from £324,000 to £110,000 for the half year to end-September.

It would be unwise to look to any "meaningful improvement" during the second half, directors warned.

However, the interim dividend is held at 0.7p, payable from earnings per share of 1.84p (5.42p).

The structural steelwork division remained reasonably busy and, subject to maintaining market share, that should continue for the foreseeable future, directors said.

Activity in engineering had been satisfactory. Opportunities were still available, though some significant programmes had been deferred and protracted.

Phoenix Timber halves deficit

Slimmed-down Phoenix Timber reduced losses further in the first-half to September 30.

On sales of £10.5m (£10.3m) from continuing businesses, the pre-tax deficit was halved to £533,000 (£1.13m), and after an extraordinary charge of £50,000 (£2.65m) relating to the discontinuance of the timber trading business, the attributable loss declined to £583,000 (£3.78m) or 3.7p (7.8p) per share.

Novo improves 23% to £653,000

Profits of the Novo Group, a provider of inventory management, storage and distribution services to the film and television industries, rose from £529,000 to £653,000 pre-tax for the half year ended September 30.

The 23 per cent improvement came from turnover little changed at £5.97m after stripping out contributions last time from discontinued operations.

Earnings dipped to 2.48p (3.8p) per share because of a greater number of shares in issue and a higher tax charge of £191,000 (£38,000).

However, the company is returning to the dividend list via an interim of 0.3p. Directors expect to pay a "significantly higher" final.

During the half year Novo completed an £8.8m rights issue, a capital reorganisation and the acquisition of Walport International.

Arlen back to the black at halfway

Mainly as a result of restructuring to meet the present low level of UK economic activity, Arlen returned to profits in the half year ended September 30, making £150,000 pre-tax against losses of £527,000.

Interest charges were cut from £405,000 to £259,000. The comparable period included Centrepiece Engineering, sold in March, and Haywood Engineering (Leicester) which was closed a year ago.

Turnover was lower at £15.9m, against £16.9m. There were nil earnings per share after the preference dividends took all the attributable profit of £138,000.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 11.12.92: Pool purchase price £/MWh	Final Prices for Trading on 10.11.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.16	20.32	20.32
0100	22.80	23.12	25.44
0130	28.17	28.67	31.23
0200	28.17	28.67	31.17
0230	22.69	23.12	25.37
0300	22.41	23.12	25.38
0330	22.41	20.68	20.68
0400	20.03	20.32	20.32
0430	17.75	18.08	18.08
0500	17.75	18.08	18.08
0530	18.16	18.08	18.08
0600	18.16	18.08	18.08
0630	17.75	20.32	20.32
0700	20.30	20.68	20.68
0730	23.88	23.58	25.90
0800	25.46	23.71	26.01
0830	28.45	24.12	26.43
0900	28.45	24.68	26.98
0930	25.53	29.37	31.85
1000	28.46	29.37	31.85
1030	28.45	29.37	31.85
1100	25.53	24.16	28.44
1130	25.53	24.68	26.98
1200	28.53	24.68	26.98
1230	25.53	24.68	26.90
1300	25.53	24.16	26.47
1330	25.53	24.16	28.48
1400	20.46	20.77	20.77
1430	20.35	20.60	20.60
1500	20.35	20.60	20.60
1530	20.35	20.60	20.60
1600	20.66	24.16	26.49
1630	28.56	28.51	31.13
1700	28.58	31.23	34.23
1730	28.97	34.33	37.34
1800	28.74	33.65	36.77
1830	28.38	29.39	31.80
1900	27.78	28.24	30.58
1930	27.77	28.21	30.54
2000	25.28	24.16	28.40
2030	23.69	23.68	25.87
2100	23.59	23.39	25.63
2130	23.59	23.33	25.57
2200	22.94	23.08	25.33
2230	22.85	20.77	20.77
2300	18.24	20.32	20.32
2330	18.16	17.72	17.72
2400	17.75	17.72	17.72

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.

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Fears of unrest in Russia give boost to oil prices

By Deborah Hargreaves

OIL PRICES moved upwards yesterday in a volatile market where fears over unrest in Russia outweighed recent supply and demand concerns.

The price of North Sea Brent crude for January delivery gained 50 cents to $18.20 a barrel as President Boris Yeltsin appealed for calm in the streets.

Traders fear that a deepening political crisis in Russia could disrupt export supplies from the world's biggest oil producer where output has been slipping dramatically. Russia exports around 2m barrels of oil a day (b/d) to the west.

If concerns over Russian supplies persist, oil prices could find renewed strength after the weakness in the market of the past few months which has seen prices drop by over $3 a barrel to a seven-month low.

Oil markets have been weakened by perceived over-supply because of a build-up of product stocks accompanied by low demand and mild weather. The Organisation of Petroleum Exporting Countries' failure to cut its output has further depressed prices.

Iran indicated yesterday that it was ready to cut production below its new allocation if prices remained weak. But at the same time Nigeria confirmed rumours that it had sold several cargoes of oil on a netback basis – cut price deals which in the past have been associated with sharp drops in the oil price.

Professor Colin Robinson from Surrey University said the world should prepare itself for the "significant possibility," of another oil price shock later in the decade.

He told a conference on Oil and Gas Economics in the North Sea that there is very little spare capacity in the world oil industry and, as demand rises, any disruption in Middle eastern or Russian politics could cause sharp rises in price.

But an opposite scenario would see the recovery in demand remaining weak and capacity growing, which would keep prices low, he said.

Continued pressure on metals from CIS exports expected

By Kenneth Gooding, Mining Correspondent

PRICES OF the main traded metals in 1993 would continue to be held down by exports from the Commonwealth of Independent States but they would move up slightly from present depressed levels, suggested Mr Thomas Baack, chief economist at Metallgesellschaft, the German mining and metals group, yesterday.

Production and consumption of the main traded metals in the west would be roughly in balance next year, but CIS exports would cause a supply surplus. "At the moment there are no prospects of an improvement in this respect," he said. Even so, most present metals prices were "unsustainably low."

Introducing MG's annual "state of the non-ferrous metal markets" report, Mr Baack said western aluminium and nickel producers – worst affected by the CIS exports – needed to shut down much more production capacity to compensate.

He doubted whether Norilsk Nikel, which produces about 80 per cent of the CIS nickel, would carry out its undertaking to cut production next year.

Mr Baack pointed out that CIS copper exports were likely to rise by 100,000 tonnes to 500,000 tonnes this year but net imports from the former eastern bloc countries would not change because China would probably import 100,000 tonnes.

In its report, MG suggests that high stocks of aluminium will weigh on prices next year so they are unlikely to exceed $1,300 a tonne. [So far this year the price has averaged $1,256].

MG assumes there will be a slow recovery of the construction and automotive industries in the western industrial nations in 1993 which will help copper's price to average $2,100 a tonne [$2,290 so far this year].

Present extremely low zinc prices will improve in 1993, but only to $1,300 a tonne [$1,250], the report suggests.

Lead, having suffered for two years from the depressed state of the US automotive industry, is currently hampered by a weakness of the Japanese vehicle-making industry.

BASE METAL PRODUCTION AND CONSUMPTION

	1992	('000t)	1993	('000t)
Alumin	14,900	15,200	15,300	15,600
Copper	8,800	9,100	9,000	9,250
Zinc	5,350	5,350	5,500	5,500
Lead	4,350	4,350	4,450	4,450
Nickel	600	660	600	680
Tin	150	186	160	190

Source: Metallgesellschaft

Gloomy prospects for tungsten foreseen

By Frances Williams in Geneva

GOVERNMENT and industry experts are predicting another difficult year for the tungsten market in 1993 and no recovery in depressed tungsten prices.

The experts, from 23 countries and the International Tungsten Industry Association, have been meeting in Geneva this week under the auspices of the United Nations Conference on Trade and Development to review the current market situation and outlook.

Demand for tungsten has been weakened by lingering world recession.It has deeply affected key tungsten-using sectors such as the tool-making, motor vehicle, and defence industries.

Meanwhile, high levels of stocks, competition between tungsten materials and substitution by other products are adding to the downward pressure on prices.

Unctad estimates that world tungsten consumption last year amounted to 39,881 tonnes, a 12 per cent drop from 1990.

World production fell further, by 14 per cent to 37,007 tonnes last year. However, stockpiles in 1991 amounted to more than 40,000 tonnes, with 34,634 tonnes held by the US government as a strategic reserve.

Vegetable marketing 'failure' in the UK

By David Blackwell

WHEN IT comes to marketing vegetables, UK growers do not know their onions, according to a report by Food From Britain published yesterday.

Vegetables accounted for more than £1bn of the UK's £5.4bn food and drink trade deficit last year.

Yet vegetable growers in the UK, while generally larger than competitors, suffer from a lack of top quality products and fragmented sales organisation. The UK makes no significant exports.

Supermarkets now account for 50 per cent of the UK market for vegetables, leaving only 50 per cent traded in traditional markets compared with 90 per cent in 1980.

Contracts with the supermarket chains have raised the standard of presentation and produce in the UK. But "the concentration of buying power within so few organisations means that significant exporters to the UK can readily contact the key people."

This has been seized upon by growers in the Netherlands, where 90 per cent of produce is sold through auction markets.

The Dutch system meets the need for additional supplies of the right quality and quantity to meet fluctuations in demand, according to one quoted UK buyer, whose remarks are "a damning criticism of the way our marketing is organised," FFB concludes.

At the same time changes in Government policy have effectively cut research spending in half to £13m since 1989.

FFB is also concerned that the Government does not see its role as "a positive force to enable things to happen in agriculture to the same degree as the governments of other (EC) member sates, but rather as an administrator."

Compared with other countries, the "UK vegetable sector is in the 'also rans,' partly from lack of a strong base to fund raise and partly from lack of product to sell," says the report.

It recommends a drive towards exports, more research spending, attention to quality and the promotion of a healthy image to counter a decline in vegetable consumption.

As for those onions, more co-operation is needed. "The Tasmanian onion farmers have just six export companies to ship out 60,000 tonnes to the rest of the world. The UK has more export organisations to ship out just 10,000 tonnes."

Recipe for tragedy in Bolivia

Chris Philipsborn on the mining ventures like the one devastated at Llipi

PRESSURE for the Bolivian government and independent mining organisations to improve working conditions and safety records is intensifying after the disaster which earlier this week engulfed the Llipi gold camp in the Bolivian Andes.

The death toll may never be known. About 100 bodies have been found. But perhaps as many as 300 miners, their wives and children remain buried under 17 metres of mud and rubble.

The Regional Federation of Gold Mining Co-operatives believes most must be presumed dead or seriously injured. With access to the site hampered by treacherous roads made worse by torrential rains, many of the bodies may never be recovered.

The life of a Bolivian Co-operative miner is a precarious one but depressed world mineral and hydrocarbon prices mean that the resources necessary to improve his conditions are simply not available.

Llipi is the latest in a long history of fatal incidents. And one day after the tragedy, four miners on their way to help the Llipi victims themselves died when their lorry tipped over on a local road.

Llipi was a new gold ore camp, production having starting relatively recently. Between 200 and 300 families had established themselve there.

The western Tipuani region, where Llipi is situated, contains the largest concentration of co-operative miners in Bolivia: some 60 collective enterprises worked by 6,000 miners with 30,000 dependents.

Tipuani straddles the Andes, at an altitude stretching from 4,000m above sea level to some 600m in the river valleys. Most of its co-operative operations mine gold, of producing the greater part of Bolivia's output of the precious metal.

Declared output by them in 1991 was 1.9 tonnes, compared to a total of 3.5 tonnes. Inti Raymi, a subsidiary of Battle Mountain Gold, was responsible for most of the rest coming from Bolivia's largest silver-gold open pit operation.

Official production figures are misleading, however. Dr Fernando Urquidi Barrau, an expert on the Bolivian mining scene, estimates that the co-operatives' true annual gold production figure is around 6 to 7 tonnes. He compares their conditions to those of turn-of-the century gold rushes in the US and Canada – but worse because of the tropical environment.

Co-operative miners and their families in Bolivia are prone to tuberculosis, anaemia, and yellow fever. Children commonly die from chronic diarrhoea. There are no health facilities and no potable water sources.

Diets are poor and housing usually means makeshift adobe or wooden huts with tin roofs. The average earnings of a Bolivian co-operative miner are estimated at $1,200 a year by the Regional Federation of Gold Mining Co-operatives.

Bolivian co-operatives have a long history. But the tin market crash caused by the 1985 collapse of the International Tin Council's buffer stock operation, which resulted in the laying-off of 28,000 state employed miners, has greatly added to their numbers.

There is no government control or investment in co-operatives, though Comibol, the state mining corporation, leases some of its operations to individual groups.

Extraction methods are extremely primitive. Dr Urqudi estimates some 60 to 70 per cent of gold is lost by co-operative prospectors. Shafts are often built under river beds, leading to frequent collapses and accidents.

Some of the larger cooperative operations have earth-moving equipment, frontloaders and trucks but most have to make do with rather more primitive tools.

Local miners attempting to rescue their colleagues at Llipi, for instance, had the use of just one tractor, picks and shovels for the initial 36 hours following the landslide.Road access to Llipi, as to many other co-operative works, is either non-existent or extremely hazardous, particularly in the rainy season. In totality all these factors amounted to a recipe for disaster.

EC qualifies quota proposals in move to break banana trade reform deadlock

By David Dodwell, World Trade Editor

EC farm officials have moved decisively this week to break the deadlock on reform of the banana trade, formally cutting adrift from a wholly quota-based proposal which has split the Community in two.

In its stead, British officials holding the EC presidency have tabled a combined tariff and quota arrangement which will be debated by farm ministers on Monday. The UK compromise would involve a 20 per cent tariff on banana imports up to a quota level that has yet to be negotiated.

Above this level "very high tariffs" would be imposed – perhaps significantly higher than the 70 per cent previously discussed. The proposal calls for "generous access" for traditional exporters, mainly from the Caribbean, and a system of import licences.

The proposal follows circulation on November 20 of a British "non-paper" on reform, and a whirlwind visit last weekend to a number of Caribbean exporting countries by Mr John Gummer, Britain's agriculture minister, to test responses to the idea.

There has been mounting concern that deadlock would create chaos in January once the creation of the European single market allows free movement of goods across the Community.

This is because suppliers to countries like Germany, which import cheaper "dollar" bananas from Latin America, would be able to flood countries like France and Britain, which buy comparatively expensive bananas from former colonies, most of them in the Caribbean, under under the Lomé Convention commitments.

UK officials backed away from a pure tariff-based import regime, apparently convinced that this could not protect traditional suppliers with any certainty.

They are confident that a combination of quotas and tariffs can protect Lomé commitments, and – unlike a pure quota scheme – would not clash with obligations under the General Agreement on Tariffs and Trade (Gatt) for tariffication of all farm trade.

Malaysian attack on rubber consumers

By Kieran Cooke in Kuala Lumpur

MALAYSIA, the world's third largest producer of natural rubber after Thailand and Indonesia, has strongly attacked the stand of rubber consumer countries concerning a new international rubber agreement.

Mr Ahmad Farouk, leader of the Malaysian delegation to a recent meeting here of the International Natural Rubber Organisation said consumer countries could not expect producers to list all their proposals for a new rubber agreement before the consumers themselves had agreed that negotiations on a new agreement should take place.

"Never before in the history of commodity agreements have details been laid down before we go to the negotiating table" said Mr Farouk.

After the recent Inro meeting consumers said they must see the producers' proposals for a new rubber agreement before making a decision on whether to proceed with negotiations. The present international rubber agreement runs out at the end of next year, though it can be extended by common agreement for a maximum period of two years.

Mr Farouk said there was little point in agreeing to an extension of Inra 2 if there was no decision to negotiate on another rubber pact.

"What is the use of an extension if we decide not to renegotiate?" asked Mr Farouk. "But if we agree on the need for a new agreement, then we can consider an extension to accommodate various procedures."

Meanwhile Mr Sucharit Promdej, the secretary general of the Association of Natural Rubber Producing Countries has said that his organisation is preparing itself for the possibility of a breakdown in negotiations for a new Inra.

The ANRPC is due to meet in Thailand in early January to discuss new price measures.

Mr Promdej said the ANRPC, which groups Thailand, Indonesia, Malaysia, Sri Lanka, India, Papua New Guinea and Singapore, would use supply adjustments and export quotas to stabilise natural rubber prices.

WORLD COMMODITIES PRICES

MARKET REPORT

London robusta COFFEE prices lost impetus towards the close, easing back to the day's lows, while COCOA prices fell from their highs to end mixed. Coffee showed little inclination to move up again after Wednesday's sharp rally, despite widespread conviction that there was still considerable potential on the upside. "The market has had a couple of days over $1,000 and doesn't know what to do next. It's almost like a touch of vertigo," one trader said. On the LME NICKEL prices continued to attract buying interest on downside dips during another volatile session, and the market ended higher. Dealers said nickel again traded within a wide range, with little sign that the current choppy phase was drawing to an end. Uncertainty over the worsening political atmosphere in Russia induced short covering on dips. Nymex PALLADIUM was firmer at midday, with analysts expecting further rises because many players are convinced Russian output will drop dramatically.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Jan)		+ or -
Dubai	$16.10-6.15u	+0.45
Brent Blend (dated)	$18.25-8.30u	+0.45
Brent Blend (Jan)	$18.15-8.25	+0.45
W.T.I (1 pm est)	$19.15-9.25u	+.475

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$188-190	-3
Gas Oil ♦	$179-181	+6.5
Heavy Fuel Oil	$70-71	
Naphtha	$178-180	+3
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$334.15	+0.4
Silver (per troy oz)♣	371.60c	+1
Platinum (per troy oz)	$362.5	-0.9
Palladium (per troy oz)	$108.75	
Copper (US Producer)	103.5c	
Lead (US Producer)	34.625c	
Tin (Kuala Lumpur market)	14.31r	
Tin (New York)	268.5c	
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	116.82p	+0.86*
Sheep (live weight)†♣	79.36	-0.27*
Pigs (live weight)†	88.36p	-0.73*
London daily sugar (raw)	$210.5w	-2
London daily sugar (white)	246.7w	+0.2
Tate and Lyle export price	£244.5	+0.5
Barley (English feed)	£138.0z	+4
Maize (US No. 3 yellow)	£155.0	
Wheat (US Dark Northern)	Unq	
Rubber (Jan)♥	62.50p	
Rubber (Feb)♥	62.75p	
Rubber (KL RSS No 1 Jan)	226.5m	
Coconut oil (Philippines)§	$440.0y	-5
Palm Oil (Malaysian)§	$362.5y	
Copra (Philippines)§	$290	-7.5
Soyabeans (US)	£170	+4
Cotton "A" Index	54.20c	+0.15
Wooltops (64s Super)	405p	-12

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jan/Feb u-Jan. w-Dec/Jan. z-Jan/Mar. †Meat Commission average fatstock prices.* change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices. ♦ Gas Oil Price for 3/12/1992 174-175 down 2

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	185.40	185.00	182.00
May	190.00	190.00	188.00
Aug	191.00		189.00
White	**Close**	**Previous**	**High/Low**
Mar	248.10	248.60	249.00 247.80
May	251.30	251.80	252.40 251.20
Aug	257.20	257.70	258.30 257.50
Oct	243.80	244.40	244.50 244.00
Dec	246.60	246.40	247.00

Turnover: Raw 29 (26) lots of 50 tonnes. White 502 (380) Paris- White (FFr per tonne): Mar 1362.27 May 1390.88

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jan	18.22	17.85	18.27 17.98
Feb	18.19	17.83	18.24 17.93
Mar	18.17	17.84	18.19 17.93
Apr	18.16	17.85	18.16 17.92
May	18.14	17.81	18.15 18.07
Jun	18.15	17.76	18.16 18.06
IPE Index	17.73	18.07	

Turnover 27033 (36403)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Dec	167.25	167.25	169.75 168.00
Jan	174.25	169.50	174.25 170.00
Feb	174.50	170.25	174.50 170.75
Mar	172.75	169.25	172.75 170.00
Apr	169.50	167.00	170.00 169.00
May	167.50	165.50	167.75 166.25
Jun	167.00	164.50	167.75 166.25
Jul	168.50	165.00	169.00

Turnover 23356 (29510) lots of 100 tonnes

FRUIT & VEGETABLES

Conference and Comice pears are excellent this week at 35-55p a lb (35-55p) reports the FFVIB. Citrus fruits such as satsumas at 35-40p a lb (35-40p), clementines at 40-45p a lb (40-45p) and oranges at 15-25p each (15-25p) are all superb fruit buys. Most vegetables have remained at a stable price this week including Brussel sprouts at 15-25p a lb (15-25p). homegrown cauliflower at 35-50p a head (35-50p) and parsnips at 20-25p a lb (20-25p). Iceberg lettuce at 60-75p each (55-75p), Round lettuce at 30-35p each (25-35p) and tomatoes at 75-85p a lb (75-85p) are good salad buys.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	657	653	664 648
Mar	677	678	690 672
May	694	695	706 690
Jul	710	710	721 708
Sep	725	726	736 722
Dec	747	749	758 751
Mar	768	770	779 765
May	782	785	790 788
Sep	812	816	818

Turnover: 5326 (8532) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Dec.9 731.08 (749.02) 10 day average for Dec 10 773.34 (778.00)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jan	1002	1015	1012 1000
Mar	1018	1029	1026 1017
May	998	1011	1010 998
Jul	996	1010	1005 994
Sep	1000	1018	1005 1001
Nov	1010	1034	1015 1014

Turnover:3814 (4865) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Dec.9: Comp. daily 63.73 (63.16) 15 day average 60.42 (60.19)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	63.0	62.5	63.0 62.8
May	69.0	69.0	69.0 69.0
Apr	86.0	86.5	86.5 86.5

Turnover 32 (2) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Feb	150.00	-	150.00

Turnover 0 (25) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Dec	1345	1347	1356 1345
Jan	1295	1302	1300 1280
Feb	1269	1281	1289
Apr	1245	1259	1260 1244
Jul	1112	1115	1114 1112
BFI	1355	1351	

Turnover 353 (163)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jan	134.25	133.60	134.25 133.80
Mar	136.00	135.05	136.00 135.40
May	138.40	137.30	138.50 137.70
Jan	112.50	112.00	112.50
Barley	**Close**	**Previous**	**High/Low**
Jan	131.00	130.90	131.15 131.00
Mar	133.35	132.85	133.60 133.25
May	135.65	135.15	135.65

Turnover: Wheat 317 (341), Barley 342 (97). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	100.0	100.0	100.0
Mar	101.0	101.0	101.0
Apr	102.5	102.0	102.0
May	102.5	102.0	102.2
Jun	103.5	102.5	102.2

Turnover:16 (1) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 27,233 lots
Cash	1191-2	1188-9		1192-3		
3 months	1214-5	1211-2	1218/1211	1216-6.5	1218-9	181,952 lots
Copper, Grade A (£ per tonne)						Total daily turnover 25,028 lots
Cash	1400-1	1399-400	1410/1410	1409.5-10		
3 months	1425.5-6.0	1423-4	1442/1426	1434-4.5	1432-3	163,287 lots
Lead (£ per tonne)						Total daily turnover 4,062 lots
Cash	294-5	292.5-3.5	294/294	293.5-4.0		
3 months	304-5	302.5-3.5	308/304	305-5.5	304-5	27,510 lots
Nickel ($ per tonne)						Total daily turnover 8,052 lots
Cash	5680-5	5615-25	5660/5660	5680-5		
3 months	5760	5685-95	5825/5660	5760-5	5790-5	41,455 lots
Tin ($ per tonne)						Total daily turnover 1,565 lots
Cash	5795-805	5790-800		5790-800		
3 months	5855-60	5845-50	5860/5840	5835-60	5850-60	9,921 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 11,689 lots
Cash	1053-4	1058-9	1055/1054.5	1054-4.5		
3 months	1072-3	1077-8	1082/1070	1074-4.5	1072-2.5	73,230 lots

LME Closing £/$ rate: SPOT: 1.5569 3 months: 1.5445 6 months: 1.5329 9 months: 1.5243

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	334.00-334.30	
Opening	333.50-333.80	
Morning fix	333.90	215.211
Afternoon fix	333.70	214.047
Day's high	334.10-334.40	
Day's low	332.60-332.90	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	1.56	6 months	2.04
2 months	1.56	12 months	2.42
3 months	1.58		

Silver fix	p/troy oz	US cts equiv
Spot	238.50	371.50
3 months	242.90	373.70
6 months	246.50	376.90
12 months	254.35	384.60

GOLD COINS

	$ price	£ equivalent
Krugerrand	333.50-336.50	215.00-217.00
Maple leaf	343.65-345.85	-
New Sovereign	78.00-81.00	50.00-52.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Apr	Jan	Apr
1150	55	86	4	16
1175	34	68	7	25
1200	19	52	16	36
Copper (Grade A)	**Calls**		**Puts**	
2100	95	125	3	13
2150	53	86	8	28
2200	22	59	28	46
Coffee	**Jan**	**Mar**	**Jan**	**Mar**
950	53	81	1	13
1000	16	49	14	31
1050	2	28	50	60
Cocoa	**Mar**	**May**	**Mar**	**May**
650	46	69	19	26
675	33	54	31	36
700	23	42	46	49
Brent Crude	**Jan**	**Feb**	**Jan**	**Feb**
1800	25	49	4	38
1850	4	25	50	72
1900		17	96	

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	334.1	333.6	334.3	333.5
Jan	334.6	334.1	0	0
Feb	335.0	334.5	335.2	334.2
Apr	336.1	335.6	336.3	335.4
Jun	337.6	337.1	337.6	336.9
Aug	339.2	338.7	0	0
Oct	340.9	340.4	0	0
Dec	342.7	342.2	0	0
Feb	344.8	344.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	364.0	364.4	365.4	363.0
Apr	362.3	362.7	363.5	361.1
Jul	361.1	361.7	361.8	361.0
Oct	362.3	362.9	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	371.0	368.8	371.0	368.0
Jan	371.6	369.5	369.0	369.0
Feb	373.4	371.3	0	0
Mar	374.3	372.2	374.8	370.5
May	377.0	374.9	377.0	374.5
Jul	379.6	377.5	379.0	376.0
Sep	382.4	380.3	380.0	380.0
Dec	386.8	384.7	387.0	384.0
Jan	388.0	385.9	0	0
Mar	391.9	389.8	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	97.30	97.95	98.40	97.25
Jan	97.80	98.30	97.80	97.80
Feb	98.05	98.75	98.60	98.60
Mar	98.40	99.05	99.50	98.35
Apr	98.80	99.40	0	0
May	99.15	99.80	100.20	99.10
Jun	99.50	100.10	0	0
Jul	99.80	100.40	100.60	99.65
Aug	100.10	100.70	0	0
Sep	100.40	101.00	101.20	100.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	19.26	18.84	19.31	18.97
Feb	19.34	18.95	19.39	19.12
Mar	19.41	19.05	19.43	19.21
Apr	19.46	19.14	19.47	19.28
May	19.50	19.19	19.50	19.32
Jun	19.56	19.22	19.55	19.35
Jul	19.59	19.24	19.59	19.39
Aug	19.53	19.25	19.53	19.44
Sep	19.56	19.26	19.53	19.44
Oct	19.53	19.26	19.48	19.46

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jan	55.70	54.36	55.75	54.75
Feb	56.35	55.23	56.50	55.80
Mar	55.95	55.02	56.10	55.40
Apr	54.85	54.12	54.86	54.55
May	53.80	53.22	54.00	53.60
Jun	53.60	52.89	53.70	53.15
Jul	54.00	53.29	54.20	53.70
Aug	54.50	53.84	54.90	54.25
Sep	55.60	54.99	55.85	55.40
Oct	56.70	55.94	56.85	56.70

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	923	903	910	890
Mar	960	940	961	923
May	985	967	987	955
Jul	1007	989	1005	980
Sep	1033	1015	1033	1008
Dec	1070	1052	1060	1043
Mar	1103	1087	1105	1089
May	1125	1111	0	0
Jul	1158	1136	0	0
Sep	1180	1160	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	77.35	77.50	77.55	76.95
Mar	78.65	77.85	78.90	77.10
May	82.45	81.55	82.50	80.75
Jul	83.85	83.25	83.90	82.35
Sep	85.25	84.70	85.25	84.00
Dec	87.75	86.70	87.75	86.00
Mar	89.35	88.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.26	8.26	8.32	8.22
May	8.40	8.43	8.47	8.39
Jul	8.50	8.55	8.56	8.50
Oct	8.51	8.56	8.58	8.51
Mar	8.65	8.68	8.67	8.65
May	8.76	8.77	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.56	59.60	59.80	58.96
May	60.47	59.79	60.73	60.05
Jul	61.38	60.71	61.65	61.00
Oct	60.00	59.93	60.85	60.00
Dec	59.60	59.45	59.80	59.30
Mar	60.40	60.23	0	0
May	60.90	60.80	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	97.10	100.15	99.25	97.00
Mar	100.35	102.95	102.00	100.35
May	101.85	104.00	102.60	101.60
Jul	101.85	103.25	102.60	101.85
Sep	100.75	102.55	100.75	100.75
Nov	100.25	102.55	102.15	102.10
Jan	100.05	102.40	0	0
Mar	100.05	103.25	0	0
May	100.05	103.25	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Dec.10	Dec.9	mnth ago	yr ago
1662.8	1668.9	1651.3	1606.6

DOW JONES (Base: Dec. 31 1974 = 100)

	Dec.9	Dec.8	mnth ago	yr ago
Spot	121.90	121.65	114.15	119.87
Futures	120.06	120.06	116.66	120.54

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	572/0	567/2	572/6	566/2
Mar	576/2	571/0	577/0	570/0
May	581/2	576/2	582/0	575/0
Jul	587/4	581/4	588/0	580/4
Aug	589/4	584/0	589/4	583/0
Sep	587/0	582/2	587/0	583/0
Nov	593/2	588/2	594/0	587/6
Jan	601/4	596/2	601/4	596/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	20.67	20.44	20.68	20.34
Jan	20.77	20.55	20.79	20.45
Mar	20.94	20.75	20.95	20.64
May	21.02	20.89	21.02	20.77
Jul	21.10	20.98	21.10	20.89
Aug	21.05	20.98	21.05	20.90
Sep	21.00	20.95	21.00	20.90
Oct	21.05	20.97	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	185.3	184.1	186.7	183.8
Jan	184.3	183.7	184.6	183.6
Mar	184.0	183.7	184.5	183.7
May	184.2	184.2	184.5	183.9
Jul	185.5	185.3	185.7	185.1
Aug	186.1	186.0	186.5	185.9
Sep	187.1	187.0	187.5	186.9
Oct	188.5	188.3	189.0	187.8

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	209/4	209/6	209/6	208/4
Mar	219/6	219/0	220/0	218/4
May	227/4	226/6	227/6	226/2
Jul	233/2	232/2	233/4	231/6
Sep	238/0	236/6	238/2	236/2
Dec	243/0	241/4	243/0	241/4
Mar	249/4	248/4	249/4	248/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	368/4	370/0	371/2	368/2
Mar	357/0	359/2	360/4	356/6
May	343/0	343/6	345/4	342/4
Jul	321/0	321/0	322/4	320/4
Sep	326/0	326/4	328/4	326/0
Dec	337/0	337/2	337/0	337/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	77.725	77.600	77.950	77.550
Feb	75.050	74.800	75.625	74.825
Apr	75.025	74.950	75.450	74.850
Jun	71.450	71.350	71.650	71.325
Aug	69.900	69.725	70.050	69.725
Oct	70.400	70.200	70.525	70.250
Dec	70.800	70.600	70.850	70.600

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	44.325	44.450	44.725	44.225
Feb	43.425	43.550	43.850	43.325
Apr	41.400	41.825	41.925	41.350
Jun	45.925	45.925	46.300	45.850
Jul	45.450	45.350	45.750	45.450
Aug	44.200	44.200	44.425	44.200
Oct	40.850	40.750	40.875	40.825
Dec	42.650	42.700	42.850	42.850

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	37.200	38.250	38.600	37.125
Mar	37.275	38.550	38.850	37.200
May	38.600	38.600	39.950	38.600
Jul	39.600	40.300	40.400	39.500
Aug	38.075	38.700	39.150	38.025

FINANCIAL TIMES SURVEY

SCOTLAND

Industry is healthier than for generations — but not much is Scots-owned: **Page 2**

In the distribution of EC funds, Scotland faces its own European tests: **Page 3**

Friday December 11 1992

Scotland's increase in prosperity was achieved without the boom-and-bust of the south of England, but recession has now caught up with the economy. As the European summit opens in Edinburgh, **James Buxton** reports

Determined difference

IF THE heads of government and their acolytes, sitting down at Holyrood Palace in Edinburgh this morning for the European summit, feel that their environment is unfamiliar, that is as it should be.

They are in the United Kingdom but they are not in England; for the first time ever, an international summit of this kind is being held in Scotland.

Scotland, as the Queen remarked in last summer's television programme about her, is different. Its people have different accents, habits and attitudes; and they have some of their own specifically Scottish institutions.

It has its own legal system and judiciary. Its education system is different from that of England and Wales, and Scotland also has its own, presbyterian, church. Much of the business of government in Scotland is handled by the Scottish Office in Edinburgh, which in the past 10 years has taken on more responsibility from Whitehall.

Visitors from the continent will find it one of the more pro-EC parts of the UK. Compared with people in the south east of England, more Scots either believe the Maastricht treaty is a good thing in itself or accept that it needs to go ahead to ensure that the benefits of the single market do not evaporate.

The idea of European nationality does not worry a people who already have a kind of dual nationality, being both Scottish and British.

When Mr John Major, the prime minister, told a surprised Scottish Conservative party conference in 1991 that this European Council would be held in Edinburgh, he said he wanted to counter the sense of alienation which he believed outlying parts of Britain felt towards government from Westminster.

He also wanted to demonstrate the meaning of the union of the United Kingdom, under which England and Scotland submerged their sovereignties in 1707 and merged their parliaments while retaining their separate identities. (That is one reason why Scotland does not, as one might have expected of a European region, have its own parliament or assembly). Through the Edinburgh summit, Mr Major hoped, Scotland would participate in the enactment of British foreign policy.

In 1991 the sense of alienation to which Mr Major referred was particularly strong. Most Scots were fed up with rule by the Conservative party – less than a quarter of them had voted for it in the 1987 general election. Their economy had done less well than England's, and they had been alienated by the policies and personality of Mr Major's predecessor, now Lady Thatcher.

Opinion polls showed that 80 per cent of Scots wanted constitutional change: some 45 per cent said they wanted a separate Scottish parliament; and 35 per cent wanted complete independence. Last January the proportion of those saying they preferred independence surged briefly to 50 per cent.

In Scotland the 1992 general election was partly a battle over those different prescriptions for Scotland's future, with Labour and the Liberal Democrats offering a Scottish parliament, the Scottish National party touting independence and the Conservatives upholding the status quo.

Yet it was Mr Major and the Tories, rather than Labour and the Liberals, who made the Scottish parliament an election issue – by warning of its dangers and urging voters across Britain to reject it. Labour, by contrast, kept quiet about the details of its constitutional plans, apparently for fear of worrying English and even some Scottish voters.

The election ended in defeat for the backers of constitutional change. Not only did Labour lose the election nationally but both Labour and the Liberal Democrats, proponents of a devolved Scottish parliament, saw their shares of the Scottish vote fall. The SNP increased its vote by seven points but that did not give it the breakthrough it expected: it lost two seats.

Only the Scottish Tories, who almost everyone – including many of their own number – had expected to be almost wiped out, were able to claim any sort of victory; they stood alone in both increasing their vote (marginally) and winning seats (two).

The general election outcome did not show that demand for constitutional change in Scotland was dead – though some Tories have since ventured the thought that Scotland might be entering a "post-devolution era." Rather it demonstrated, like other devolution campaigns for over a century, that not enough Scots want constitutional change badly enough to give it such a high priority that they will sink their differences to get it.

It was a reminder that there is residual support in Scotland for unionism. Since the election, Labour and the Liberal Democrats have played down talk of constitutional change.

But a little group of protestors who, immediately after the election, started a vigil outside the building where a Scottish parliament would meet are still there. They say they will remain until a Scottish parliament is convened.

The constitutional issue will be raised outside the Holyrood summit, with Labour and the SNP fielding speakers to the Scotland Demands Democracy demonstration on Saturday. Mr Major will be asked to explain why, if the concept of subsidiarity should be applied to the UK, it cannot be applied to a nation within it.

Since April Mr Ian Lang, the Scottish Secretary, has been showing a more conciliatory approach to running Scotland. Lord Fraser of Carmyllie, his minister of state, said in July that if the union is not to lose support the government must choose policies which are not only good for Scotland but acceptable to most Scots.

Thus, whereas in England and Wales the government is legislating to encourage many more schools to leave local authority control, nothing similar is proposed for Scotland.

But the government's attempt to be gentler with the Scots will be tested by its handling of two big planned reforms – reshaping local government from a two-tier into a single tier system, and bringing the private sector into the water and sewerage industry.

The very suggestion of privatising Scottish water has provoked strong opposition from almost everyone, including many Tories, so the government is touting (among other options) a complex franchising arrangement.

The reform of local government, removing the regional councils, will enable Scotland's four cities, Edinburgh, Glasgow, Aberdeen and Dundee, to become single tier authorities. But their powers will fall well short of those of the so-called city-states on the continent, because in the past few years local government has lost functions and had its financial autonomy curtailed.

The current mood in Scotland is dour, as the economy stagnates in a recession which, though less severe than that south of the border, still has plenty of victims.

But though Scots are accomplished practitioners of "girning" (grumbling), plenty of things in their country have improved enormously in the past decade.

Scotland achieved a big increase in prosperity in the latter part of the 1980s, without the boom and the bust of the south of England. It shows in the great improvement to life in Glasgow, which used to be a city few people in Britain visited unless they had to.

The quality of life in Scotland's uncrowded other cities and towns and in its countryside is an asset which will become more precious as the British economy begins to grow again.

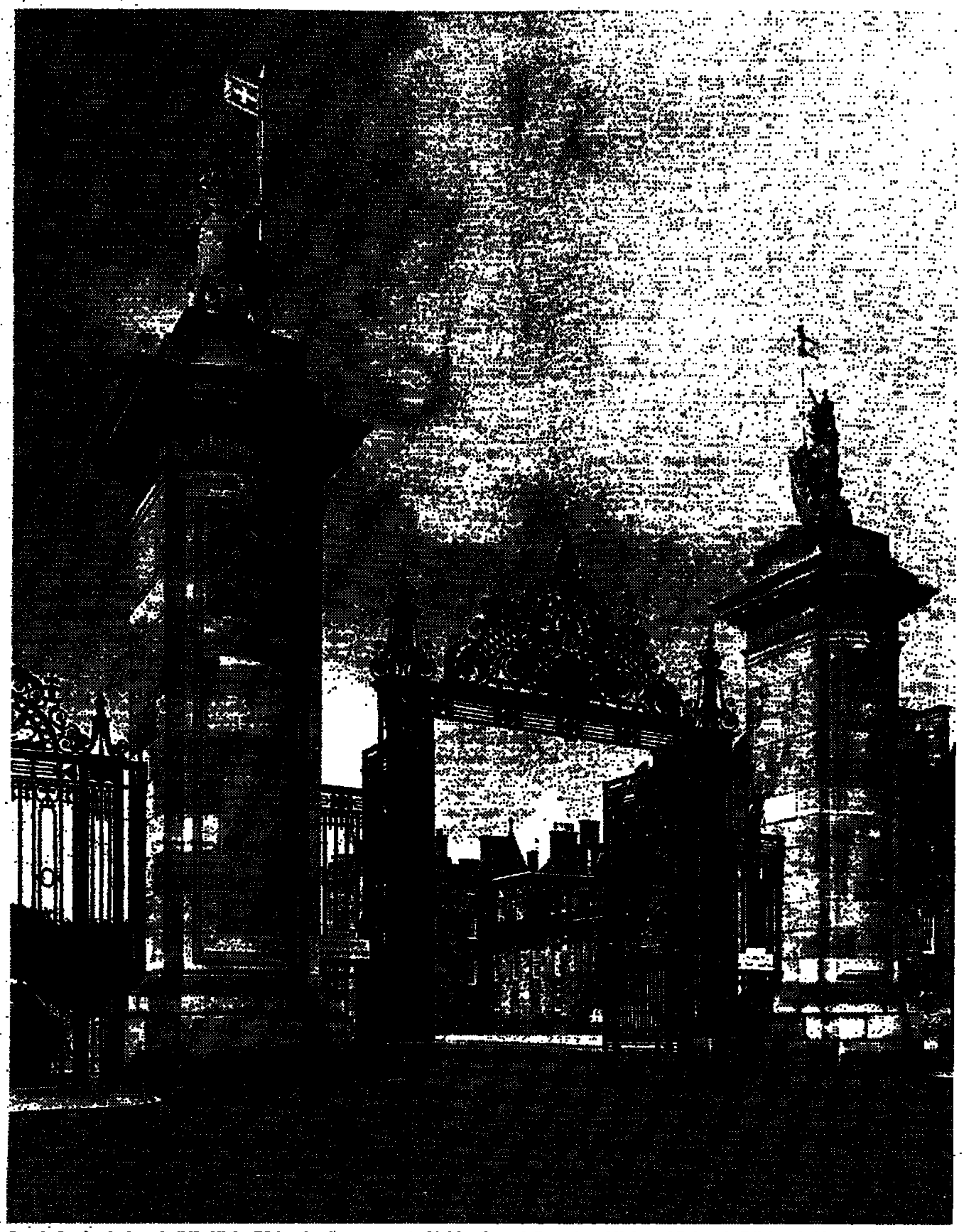
Yet, unlike in other parts of Britain, the Scottish population is in gentle decline; it dropped fractionally below the psychologically important 5m mark in the 1991 census. Somehow the decline seems to mirror the lack of dynamism in the Scottish economy.

A recent study by Scottish Enterprise, the economic development body, revealed that Scotland has a lower rate of new company formation than other parts of Britain, especially the south-east, not to mention Germany and parts of the US.

Alarmingly, some leading Scots, when interviewed, said they did not believe the creation of new companies was particularly important – some even thought that it was undesirable because it harmed existing ones by causing extra competition.

Many of the more enterprising Scots have moved – as they have been doing for centuries – to England, where a number of them run big companies and institutions. Scots also occupy five places in the cabinet – and Scotland also provides the leader of the opposition, Mr John Smith, and several of his shadow cabinet.

That could be seen as a success both for the union and for Scots' determination. But it also shows that in centralised Britain the big opportunities lie in London. Any step to redressing that imbalance would be good.



Stands Scotland where it did? All the EC heads of government will drive through the gates of Holyrood Palace in Edinburgh this morning

KEY FACTS

	Scotland	UK
Area (sq km)	70,080	242,500
Population (000's, 1990)	5102.4	57,410.6
Pop. density (pop per sq km)	66	237
Pop. growth 1981-90	-1.5%	+1.9%
Age structure 1990		
under 15	18.8%	19.0%
above pension age	17.7%	18.3%
GDP (1990 £m)	38,738	477,747
GDP per head (1990 £)	7,592	8,201
Employment structure 1990		
Agriculture,forestry & fishing	2.3%	1.8%
Energy & water supply	5.1%	3.1%
Manufacturing	27.6%	29.8%
Construction	10.4%	7.6%
Distribution,hotels & catering	15.0%	17.3%
Transport & communication	8.9%	8.5%
Banking, Finance etc	8.0%	11.3%
Public admin & other services	22.7%	20.6%
Unemployment Rate (Oct.'92)	9.7%	10.1%
Education (1990)		
Pupil-teacher ratio-primary	19.5	22.0
Pupil-teacher ratio-secondary	12.2	15.2
16-year-olds staying in education	77.7	65.4

Source: CSO Regional Trends 1992

James Buxton finds a shortage of green shoots in the economy

Caledonia grows stern and wild

MR CHARLES LOVE, the new chief executive of the Clydesdale Bank, was blunt about Scotland's short-term economic prospects when he presented the Glasgow-based bank's results last month.

"There are no green shoots in Scotland," he said. A colleague added: "The recession has gone on too long for a lot of our customers in Scotland." But they did not foresee recovery in the Scottish economy until 1994.

The remarks are typical of the pessimism that has engulfed the Scottish economy in the last few months.

For the past two years, as much of the rest of the UK economy laboured in recession, Scotland remained immune from its worst effects. In the summer there was even an upturn in business confidence in the wake of the UK general election held in April.

In October, however, the Fraser of Allander Institute, Scotland's main economic research organisation, declared that the full effects of recession had finally reached Scotland.

People in Scotland did not like being told that they were suffering a much milder form of recession than people in the south. This was not just any penchant they may have for gloom; it simply did not accord with their experience.

For the past two years the Scottish economy has been virtually stagnant, with few new business ventures, a stream of small and medium-sized businesses going into receivership, property developments being stalled or abandoned, intense financial pressure on companies with large borrowings and a lack of new job opportunities, so that anyone with a job wanted to hang on to it.

Yet something remarkable has been happening in this recession in Scotland: it has not been as bad as in England.

In September the seasonally adjusted uneployment total for Scotland was 9.7 per cent, compared with a UK average of 10.1 per cent, putting Scotland on exactly the same level as the south-east of England and below Wales and the northern half of Britain. That, as Professor Gavin McCrone of Glasgow university pointed out recently, "is nevertheless much too high to be acceptable."

Something remarkable has happened: the recession has not been as bad as in England

But it is indicative of the changed way in which economic forces have been working in Britain.

Scotland and the north of England have done better in strictly relative terms because people in those parts of the UK never built up the enormous levels of personal debt which their counterparts in the south of England accumulated.

This may partly be because in Scotland house ownership is just over 50 per cent of the total housing stock; in England it is 69 per cent. So when interest rates went up from 1988 onwards, Scotland and the north of England suffered less.

Consumer spending continued fairly strongly, house prices went on rising (they have even advanced slightly this year while those in southern England have collapsed) and the Scottish economy grew faster than that of the UK as a whole in 1988, 1989 and 1990, while the contraction in Scotland in 1991 was less severe.

Scotland benefited in other ways. There has been an investment boom in the North Sea oil industry, which particularly helped Grampian and Highland regions.

Scotland's main manufactured products – whisky, computers and heavy engineering equipment – are mostly exported, and until about a year ago their markets had been holding up well.

Yet the gloomy prognostications of the executives of the Clydesdale Bank seem convincing.

Commentators have for some time forecast that once interest rates came down, the south of Britain would benefit most – for the same reason that it suffered most when interest rates were high.

While Scotland hopes to keep its advantage over England, it is more realistic to trust that the economy of southern England gets going soon, and that it generates some demand for Scottish goods and services.

Export markets for many different kinds of Scottish goods are weakening, because of world recession. But perhaps more serious for Scotland's recovery is the fact that structural factors which formerly worked in Scotland's favour are now turning against it. Furthermore, there are black spots of economic decay caused by industrial closures.

The investment boom in the North Sea oil industry is running down, as shown by the fact that some of the yards which build platforms – one of the first stages in the process of developing production operations – are now staring at slender or empty order books, with one of them, McDermotts near Inverness, currently moving from employing 2,500 people in mid-summer to going onto a care and maintenance basis.

Offshore oil output is expected to decline in the next year or two, while pressure on margins is making oil operators cut costs, reducing offshore employment.

The Shetland islands, where unemployment is about four per cent, will have to face the fact that the Sullom Voe oil terminal on which much of its prosperity is based could close by the end of the decade.

Scotland, it has been said, had a good Cold War, so it is now feeling the consequences of peace. Already the US navy submarine base at Holy Loch has closed, and four Scottish regiments are being amalgamated into two.

More serious still are the consequences for industry. The future of the naval dockyard at Rosyth on the Firth of Forth is in the balance as the government decides whether to close it towards the end of the century and concentrate all naval refitting work at Devonport in south-west England, or to mainain two smaller dockyard operations.

Whisky, one of Scotland's main manufactured products, is mostly exported *Picture: Tony Andrews*

Rosyth employs more than 4,000 people and is the biggest industrial site in Scotland, so its closure would have a devastating effect on the economy of Fife.

Yarrow, the GEC subsidiary which builds warships on the Clyde, currently has a good order book but is very dependent on UK government warship orders.

GEC Ferranti in Edinburgh, which has almost halved its workforce from 6,700 in 1989 to about 4,000, is watching anxiously as governments decide the future of the European fighter aircraft project, for which it would build the radar. But it has other defence work and recently won a civil contract for a communication system for the Channel Tunnel trains.

There have been some layoffs, but there have been no big redundancies in the electronics sector, which employs around 45,000 people. None the less, Scotland could be vulnerable, as International Business Machines and Compaq, two personal computer makers which have Scottish plants, fight out price wars.

In June British Steel's complex at Ravenscraig closed and most of the last 1,200 workers became redundant.

The death of most steelmaking in Lanarkshire is likely to mean that about 5,500 people in other employment in Lanarkshire will lose their jobs in the next four years – and that comes in addition to the 4,400 steelworkers who have left British Steel plants since 1990.

Yet it is possible to be optimistic about Lanarkshire. It is no longer the case that local energy is being devoted to preserving the steel industry – it is turning to creating new industries in a potentially attractive location at the very heart of Scotland's transport system, with a Channel Tunnel terminal planned and an enterprise zone being set up.

With the final closure of Ravenscraig another step has been taken towards a more balanced structure for the Scottish economy – the evolution of which, says Prof Peter Payne of Aberdeen university, has been "wholly beneficial."

Industry in Scotland, he writes, "is more healthy than it has been for generations."

He adds, however, that "it is no longer Scottish industry" – "with many Scottish companies having lost their independence or, in the case of branch plants, never having had any."

Stewart Dalby reviews the local government debate

Mr Lang's open options

When Mr Ian Lang, the Scottish Secretary, introduced his second discussion document on local government in Scotland in October, he might have hoped that debate would centre on possible cost savings and on the new council map involved in moving towards a single tier of unitary authorities.

An earlier paper published in 1991 indicated that the Conservatives would move towards a single tier of local government if they won the general election. It implicitly ruled out the creation of a Scottish parliament.

The new document sets out in more detail the government's case for replacing the current two-tier structure of nine regional, three (single tier) island and 51 district councils.

But it has left its options open on the new council structure and put forward scenarios involving between 15 and 51 councils, with joint boards to provide services such as education and police, where administration by a large number of unitary authorities would be inefficient.

Mr Lang has since emphasised that he has reached no decision on the new local council map of Scotland. There was no masterplan ready to be dusted off, he said. He wanted widespread debate.

But – perhaps predictably – initial public reactions have been political.

Professor Alan Alexander, who is director of the Scottish Local Authorities Management Centre at Strathclyde University, says:

"This document is politically driven. The aim is to break up Labour control of local government. In particular there is a wish to be rid of the great Labour fiefdoms of Strathclyde and Lothian.

"But the government might be out of luck. Research has shown that however you slice the cake the Conservatives would not pick up control of many councils. I think there is a strong argument for unitary authorities but it is not the one put forward in this discussion document." Prof Alexander admits he is a Labour supporter.

Conservatives control none of the regional councils and only five of the districts. Many of the councils are hung

At the moment the Conservatives control none of the regional councils and only five of the districts. Many of the councils are hung.

Mr Mark Lazarowicz, the leader of the Labour group on Edinburgh district council, has similar views.

He says: "I do not know that it is politically driven because it probably would result in few gains to the Conservatives. Certainly it is ministerially driven.

"Mr Lang needs something to do over the next few years and it is likely there will be a single tier of government.

"Our position is that a single tier makes sense only if there is a Scottish parliament. Labour party policy is for a Scottish parliament. If we cannot have a parliament we are happy with the way things are. We work very well with Lothian regional council and there is hardly any overlap of functions."

If Edinburgh were made a unitary authority, he asks, "How would you service the parts of Lothian which are sparsely populated? More important, how would you ensure the people of Lothian were adequately represented?"

The Convention of Scottish Local Authorities (Cosla) takes the view that a change in the current system is unwanted and unnecessary. Mr Bruce Black, the senior deputy secretary, says: "Few of our members welcome these proposals, although of course, when push comes to shove, some of the bigger district authorities might want to become unitary authorities.

"The current system works well. You need regional councils to handle strategic areas like water and roads. You need the economies of scale you can achieve. You also need the district councils, particularly in remote areas, to respond to local needs."

But when Mr David McLetchie, vice-president of the Scottish Conservative & Unionist Association, is asked to comment on Cosla's views, his reply is robust: "They would say that. Cosla is dominated by the Labour party."

However, he adds: "It would be less than honest if we didn't acknowledge that part of the appeal of these proposals is the political case against the large Labour strongholds.

"But this should not obscure the cogent arguments in favour of reforming local government."

Stripped of the political overtones, the arguments, as set out in the discussion document, can be summarised as follows:

- Under the present system there is confusion about which tier is responsible for which functions;
- There is an overlapping of functions which results in waste – and bloated employment levels. Although regional councils have been in existence since 1975, many people still think of themselves as living in the now-extinct counties.
- Streamlining local government would accord with the government's desire to move from councils providing most services themselves, to becoming "enabling" authorities which might contract out many functions to other bodies or the private sector.
- There would also be cost savings. A report by the accountants Touche Ross for the discussion document estimated a that a 15-authority structure could save an estimated £192m a year, a 24-authority structure £120m a year and a 35 unit structure £55m a year. But a 51 council would cost £58m more a year than the existing setup.

Prof Alexander has doubts about cost savings but still favours a move towards a single-tier system

These figures are tentative; not everybody agrees there would be cost savings. It would depend on whether existing facilities were used, on new staffing and computer systems and on a range of other factors. However the idea that 51 council structure would cost more money almost certainly rules this out as a choice.

At the other extreme a 15-council scheme would be rather too similar for comfort to the existing regional council arrangements, despite the estimated cost saving.

Prof Alexander has doubts about cost savings but still favours a move towards a single tier system. His argument is that the near-monopoly of service delivery held by local government has been broken by changes in housing legislation and education; and by the introduction of compulsory competitive tendering for many local authority services.

In short, he implies, the development of the enabling council has gone so far that people's democratic rights are weakened when residual services are spread between two tiers of local government.

He advocates a system of single unitary councils for most of Scotland with two tiers in the remote areas of the Highlands, making some 30 councils in all. There would be a number of area boards for services like fire, policing but perhaps not water.

Mr McLetchie, who drafted the Conservative party's submission after the first consultative paper, says: "I don't know what is going to happen. But I suspect that you are going to end up with around 30 councils which will not be dissimilar to the old county council structure you had before the reforms of 1975."

The water industry

A certain level of dismay

IF THE government's proposals to change local government in Scotland by moving towards single-tier authorities look like gaining grudging acceptance, this cannot be said of a possible consequence of these reforms: the privatisation of the Scottish water and sewerage industry.

Water and sewerage services in Scotland were not privatised when the English water companies were sold in 1989; they are run by nine regional and the three island councils.

As these councils are to be restructured, the Scottish Office believes it will be necessary to come to new arrangements for water. The idea that privatisation should form part of these new arrangements has caused dismay.

An opinion poll in The Herald, the Glasgow morning newspaper, found that only 4 per cent of Scots canvassed showed themselves in favour of privatisation. Only 9 per cent of the Conservatives who were asked supported it.

Mr Bruce Black, senior deputy secretary at the Convention of Scottish Local Authorities, says: "Scottish people do not like the idea of privatisation. It offends the presbyterian ethic which says that the government should supply essential services.

"They particularly do not like the idea of water privatisation. Water is seen as one of Scotland's abundant resources.

"They have seen what has happened in England. Private water companies have raised the money for investment through higher charges. People who have been unable to meet the charges have been disconnected."

Another argument advanced by the Scottish Office for changing the water and sewerage arrangments is that heavy capital expenditure will be needed over the next 10 to 15 years, to comply with government regulations and EC directives on water standards.

These include the Water Supply (Water Quality)(Scotland) regulations 1990, which adopted the standards of the EC directive on the quality of drinking water. The British Government also adopted the Urban Wastewater Treatment Directive and the Bathing Water Directive. There is also a need to stop dumping sewerage sludge at sea by 1998.

The Scottish Office estimates that meeting these requirements will cost £2.5bn in Scotland. A further £2.5bn will be needed for maintenance and upgrading and improving unsatisfactory sewage discharges.

The regional councils are investing £218m a year in capital spending. Professor George Fleming of the department of civil engineering at Strathclyde University says: "The extra £5bn will probably mean a doubling of the annual capital spending to over £400m. Whatever new system is contrived, charges will have to rise."

Mr Ian Lang, the Scottish secretary, indicates that he does not want the extra spending to be met by increased public borrowing by local authorities. He argues that more spending on water could mean less spending on other services such as education and health.

Last July Mr Lang said he was looking at ways "in which the private sector might contribute enterprise and investment" to water. This was taken to mean privatisation.

Since then, however, the Scottish Office has published a consultation paper called Water and Sewerage in Scotland: Investing For Our Future.

It repeats arguments for changing the current arrangements and puts forward eight options – including privatisation, which could involve setting up three companies which would either be floated on the stock exchange or sold off in a trade sale.

But there are also proposals for a national water authority which would have a watchdog body similar to the National Rivers Authority in England; a number of joint water boards serving single-tier councils; straightforward transfer from the old councils to the new; and some form of franchising whereby the local authorities, or groups of them, would retain ownership and control of the water and sewerage installations, contracting out operation to private concerns.

As with the proposed changes to local government, Mr Lang tries to make it clear that nothing has been definitely decided about water. He says in his foreword: "The Government will reach a decision on the right way forward in the light of responses to this consultation paper. Until then I intend to keep my options open."

The only certainty is that if the investment required is made, water charges will have to rise. Scots water users now pay an average of £132 a year for water – though many are unaware of it, because water charge is collected with the poll tax. The average charge in England and Wales is £177.

As the government waits for reaction to come in, the public view appears to be captured by Mr Henry McLeish, a Labour spokesman on Scotland: "We don't dispute the need for £5bn investment over 10 to 15 years. We accept that water charges will have to rise to help pay for it. But we don't want the higher charges to swell the profits of private companies. The Treasury should allow the councils to borrow the extra money needed."

Stewart Dalby

David Marsh looks at Scotland's position in the EC pecking order

Intriguing contradictions

AS THE states of the European Community tackle the difficult challenge of widening membership and deepening cooperation, Scotland faces a series of European tests of its own.

The country has to secure its position in the pecking order governing the distribution of keenly fought over EC regional funds. It must seek to maximise benefits from the EC's "single market" formally being put into place next year – a development which could bring particular benefits for Scottish financial services. And Scotland has to make its voice heard in the debate in Brussels and national capitals about "subsidiarity" – allowing government decision-making to be carried out as close as possible to the people.

Scotland's relationship with the EC throws up some intriguing contradictions. On the one hand, there is no argument about whether Scotland gets "value for money" from the EC. It clearly does. As a region suffering from industrial decline, with a disproportionate share of rural areas requiring special support, Scotland has attracted a large amount of EC funding to help depressed areas.

Mr Ian Lang, secretary of state for Scotland, recently pointed out that Scotland had benefited from nearly £1.5bn in structural fund assistance from Brussels since 1979. "Denmark, like Scotland a small country at the north of Europe, but without the clout which the UK carries in the Community, has secured just one-sixth of that total," Mr Lang declared.

On the other hand, in the future battle for EC cash and industrial investment, Scotland will face some disadvantages. Mr Grant Baird, the head of Scotland's recently-established representative office in Brussels, Scotland Europa, sums up the position: "Competition is going to get tougher. The funds will be coming. But any growth will be going to the poorer countries."

The gap in economic output per head between Scotland and the rest of the UK has narrowed in recent years, principally because Scotland has better weathered the downturn. Moreover, as a result of the accession of poorer southern countries during the past decade, Scottish gross domestic product (gdp) per head is about the EC average.

> Scottish industry has not been good at attracting EC money — often it doesn't know it's there

Further, the shift in the Community's centre of gravity both eastwards and southwards has sharpened the problem of Scotland's peripheral position. Scotland in the past has relied on the US more than the rest of Europe for inward investment. Now Scottish industry is looking far more actively towards Europe.

But corporate and government managers are aware that, when German companies seek a foothold in the EC, Scotland is now well down the priority list for investment.

"Scottish industry has not been very good at attracting EC money," says Mr Baird, "often because it doesn't know it is there." One reason for the establishment of Scotland Europa was to put Scottish enterprises and institutions firmly on the Brussels map, searching for funds in, for example, EC research programmes.

Scotland has already qualified for EC grants in the troubled fields of coal-mining, shipbuilding and textiles. Now it will be trawling for assistance from the EC's planned new programme for "reconversion" of defence and electronics industries hit by the post-cold war downturn in European armaments spending.

Another part of Scotland Europa's activities is to point out that, in a range of economic matters, Scotland's interests do not always necessarily coincide with those of the rest of the UK. Putting forward the Scotch whisky industry's point of view on EC alcohol levies, or making known the interests of Scottish power companies on European emission control plans, are two examples of Scotland Europa's work.

In another area of special interest, Scotland has put in a bid for at least part of the activities of the European central bank, designed to run Europe's monetary affairs if and when economic and monetary union takes place towards the end of the 1990s.

Scotland's bid has not been helped by rival campaigns from London and Manchester. Additionally, the effort has been hard hit by the UK's withdrawal from the exchange rate mechanism in September. None the less, Edinburgh will be doing its best to press its candidature during this week's EC summit. The Royal Bank of Scotland is printing a special issue of Europeanised pound notes to coincide with the summit. A few are likely to be handed out as ceremonial gifts to heads of government.

Having been part of monetary union with England since 1707, Scots have fewer qualms than people south of the border about giving up sovereignty to an EC central bank. But Scottish analysts also believe that Emu will be impracticable unless accompanied by a political union to provide a framework for intra-Community fiscal transfers necessary to make a single currency work.

The debate about Scotland's place in Europe has been greatly affected both by the delays to the Maastricht process and by the setback for the Scottish National Party and the Labour party in April's general election. Up to this spring, many moderate Scots could support the idea of an eventual Scottish parliament dealing directly with a strengthened European executive in Brussels.

Now, both notions – Scottish devolution (or full-scale independence), and a move towards a Maastricht-style federation in Europe – appear illusory. Scotland's voice in Europe will be heard firmly from within existing UK institutions; it seems unlikely that it will be very loud.

The EC intends to set up a "Committee of the Regions," acting as an advisory body to the Commission and Council of Ministers on matters of regional importance. Unlike the position of other countries with a federal structure, Scotland however has no clear-cut right to send elected representatives to the committee.

It has been assumed that Scotland would take up four seats out of the UK's allotment of 24 members of the committee, made up of representatives of Scottish local authorities. According to recent indications, however, the Scottish Office appears to believe that representation on the committee is purely a matter for the UK government to decide. This flies in the face of "subsidiarity" – and could be a point of considerable irritation for the Scots.

As Mr Craig Campbell of the Scottish Council Development and Industry puts it in a paper published this week, "The overwhelming majority of members of the House of Commons supports the UK's active membership of the Community . . . The irony is that at a detailed policy level, the different parts of the UK can have very different interests, and there is not yet any adequate mechanism for expression of those interests."

Recession has hit the Highlands, writes **James Buxton**

Fortune on the ebb tide

THERE ARE depressing signs that the tide of good fortune which for the past few years has buoyed up the economy of many parts of the Highlands and Islands is ebbing.

Most seriously, crisis affects the two offshore fabrication yards on the Moray Firth; a year ago, they were employing nearly 5,000 people between them. Now the total number of people employed at both yards is less than half that figure, and one of them may have no work at all by next March.

The recession, which took so long to reach Scotland and its northern extremity, is now having a serious effect on the Highlands. Fewer tourists came last summer. Boarded up hotels, restaurants and bars dot the landscape, while manufacturers are suffering from the weakness of markets in the rest of Britain.

As Mr Tony Mackay, an Inverness-based economist, says: "Over the past 20 years the Highland economy has often done better than that of the UK and of Scotland as a whole. Now we are going to experience underperformance for five to ten years."

The 1980s were good for the Highlands. Although two big industrial plants, the aluminium smelter at Invergordon and a paper mill at Fort William, closed early in the decade, later economic development was more organic. The offshore steel fabrication yards were set up on the Moray Firth because they wanted to be there rather having to be coaxed to uneconomic locations.

The same goes for the salmon farms established along the sealochs and inlets of the west coast, which created a few thousand jobs, revitalised some remote communities but dismayed conservationists and lovers of solitude.

The Highland population was boosted by an influx of people from England and from other parts of Scotland – the co-called white settlers. They pushed up the populations of places such as the Isle of Skye, sometimes forcing house prices out of the range of the indigenous inhabitants but bringing more entrepreneurial spirit.

Though emigration from places such as the Western Isles continued, the total population of the area covered by Highlands and Islands Enterprise (HIE) – the development network which replaced the Highlands and Islands Development Board – rose from 364,000 to 370,000 between 1981 and 1991.

Unemployment was 10.3 per cent in September, below the figure for Great Britain of 11.5 per cent but more than a percentage point worse than it had been a year before.

Until recently the Inverness area was doing best: it has developed as the shopping and administrative centre for almost the whole area, and has been underpinned by the well-paid employment at the nearby fabrication yards.

Energy in a Highland burn: in early 1993 the Scottish Renewables Order (SRO) will be announced, encouraging exploitation of water, wind and rain, with a guaranteed market for electricity generated by fuels as infinite as they are free *Picture: Edinburgh Hydro Systems*

However, in July, the US-owned McDermott yard at Ardersier on the south side of the Moray Firth made 1,200 of its 2,500 employees redundant after an important order from Elf-Enterprise went elsewhere. Its current order book will be exhausted by February, and soon after that, if no new orders are gained, there will be be only a skeleton staff of about 100 keeping the facility operating on a care and maintenance basis.

At Nigg on the north side, Highland Fabricators recently won an order from the Norwegian sector of the North Sea which will enable it to maintain at least 400 of its current workforce of 2,200 well into 1994. The crisis in the offshore market is still emphasised by the large number of idle drilling rigs tied up in the Cromarty Firth.

The two yards face a dearth of orders as the current phase of offshore developments works its way out, and the market may not recover for three years. But employment at the yards has always fluctuated wildly; both rely, to a large extent, on sub-contractor labour rather than on large permanent workforces.

"It is very important that we retain both yards – they have given the economy critical mass," says Mr Iain Robertson, chief executive of HIE. It is also considered important that as many families of the yards' employees stay living in the area, even if the menfolk go elsewhere for work. HIE has set up a task force to help workers increase their flexibility in the offshore industry by gaining extra qualifications.

Down in the Cowal peninsula in the far south-west corner of the HIE area, about 800 jobs are being lost because of the closure, earlier this year, of the US Navy's Holy Loch submarine base. Argyll and the Isles Enterprise is working on a plan to assist the area by helping tourism and light manufacturing.

Another gloomy spot is Caithness, where the Atomic Energy Authority's plant at Dounreay is gradually running down, threatening the economy of a sparsely populated area. It currently employs 1,600 people, making it easily the biggest employer, but the prototype fast reactor is scheduled to close in 1994, and the fuel reprocessing plant in 1997. By then employment, which was 2,100 in 1988, may have dropped to 530.

Across the Highlands sheep-farming, the mainstay of crofters, faces changes because of the MacSharry reforms of the EC's Common Agriculture Policy. But Mr Donald MacRae at TSB Bank Scotland does not think the reforms are bad news for crofters, at least in the short term, because the proportion of the subsidy made up by the headage payment per sheep will increase and the total payment should also rise slightly.

"The problem is that there will be less incentive to improve quality, and the farmers are facing the political risk that the taxpayer will eventually say the whole thing is far too expensive," he says.

The next two years are likely to be bad for Highland fishermen as EC catch restrictions bite harder, but in the longer term the Highlands' share of Scottish white fish landings may increase as fishermen move west from the North Sea.

The salmon farming industry is doing a little better, after several years of very low prices, now that Norway, the biggest producer, has cut over-production, helping prices to rise. However, rationalisation is taking a toll: in September Marine Harvest, the leading producer, was sold by Unilever to MariFarms of the US (in which Hanson has a minority stake). The new owners are making 160 employees redundant, most of them in the Fort William area.

At least these setbacks are hitting an economy more mature than it was a decade ago. There are more businesses and more accumulated wealth, and a better infrastructure of roads, bridges and digital telecommunications links.

But it will be a severe test for the new HIE network of 10 local enterprise companies scattered over the region, with half the organisation's 300 staff, and devolved financial, social and environmental functions. Mr Robertson says HIE is giving people a power they never previously had, to change things in their areas. "There couldn't be a better time for it to win its spurs."

The financial sector

Banking on strengths

SCOTTISH EQUITABLE, the life assurance company, is setting up a life assurance company in the German state of Württemberg, a joint venture with the composite insurance company Württembergische.

It thus becomes the first Scottish life company to finalise a joint venture with a German company – and one of the first British companies to enter the German life assurance market since Germany agreed, early this year, to liberalise its life assurance market under the EC's third life assurance directive.

The deal is one of a number in which Scottish financial institutions are entering the continental financial services market – a sign of the current vigour of Scottish life offices, one of the few growth spots in the financial communities of Edinburgh and Glasgow.

In the first six months of 1992, income from new premiums for the nine Scottish life companies, of which Standard Life is easily the biggest, rose by no less than 35 per cent: from £2.3bn to £3.2bn. At a time when Scottish banks and other companies in financial services have been cutting jobs, the Scottish Life increased its staff employed in Scotland by five per cent in the first half of 1992; to 14,100. Unsurprisingly, offices of the life companies still proliferate in Edinburgh.

In March 1992, according to the Department of Employment, some 217,000 people worked in banking, insurance and finance. Among financial centres outside London Scotland is eclipsed only by the north-west of England in terms of employment, but it has its own particular strengths.

Unlike any other British region it has its own clearing banks. It has a notable community of independent fund managers. Yet it has few building societies – and no markets. Its representation in non-life insurance is largely confined to General Accident, the Perth-based composite. There are only a few merchant banks.

The financial sector exploits the perception that Scots are canny and trustworthy in handling money. Scottish Financial Enterprise (SFE), the sector's trade association, puts "Trust the Scots" on all faxes.

The three Scottish banks are suffering along with their English counterparts. For a time they were shielded – the Scottish economy held out longer against recession; but two draw more than half their business from south of the border.

A few weeks ago the Royal Bank of Scotland announced 3,500 job cuts in its branch network over the next five years – a move which follows that of other clearers. Last week it announced a further big drop in pretax profits after making increased provisions for bad debts. But operating profits were up. In the same week it mounted a robust defence of the £6m bonus paid to Mr Peter Wood, the director who set up and then sold to the bank its insurance arm Direct Line.

Clydesdale Bank, a subsidiary of National Australia Bank, shed about 500 jobs at its Glasgow headquarters. But it increased operating profit by 18 per cent last financial year, despite a jump in provisions for bad and doubtful debts.

Among the fund managers, the Edinburgh-based partnership of Baillie Gifford appears to be pulling strongly ahead of its Scottish rivals, with £5bn under management, double the 1987 figure. It was recently selected to manage part of Wellcome Trust's portfolio, the medical charity, and sees this as recognition that it is on a par with the big London-based independent fund managers.

In Glasgow, Murray Johnstone has largely recovered from a period of uncertainty; it had £3.4bn under management in the middle of the year.

Scottish institutions, whose overseas orientation – if they had one – used to be towards the US, are now looking with a little more interest to the continent of Europe. Last spring Bank of Scotland took a 45 per cent stake in Finannziaria Italiana Mutui (FIM), which operates in the expanding Italian residential mortgage market. It also has a joint venture in Germany with Quelle Bank.

Last month Scottish Financial Enterprise became a founder member of the Association of European Regional Centres (AERFC), which was formed to represent the interests of secondary financial centres in the EC.

James Buxton

JOBS: Professionals stumped by problem of how to break out of self-sustaining downward spiral

Wanted: way to escape the grinder

IF there's any other group of people anywhere with a better stock of work experience than Jobs-column readers, I've yet to hear of it. So you are probably Anna Greenwood's best hope of finding a solution to a problem which, although all too common in working life *even at pretty senior levels*, is an extremely knotty one.

Brought to her by someone met via her job as a clinical psychologist in Yorkshire, it concerns a seemingly guaranteed way in which a new boss can grind down and drive out a disliked but previously proficient subordinate.

The process has four stages, the first of which is enigmatic because it might simply amount to unwittingly bad management. But *if it's allowed to go on* long, the results – being foreseeable – might just as well be intended.

It begins when the boss takes to keeping detailed watch on the staff-member's work, obviously looking for errors. Accompanying ploys are nagging on about the need to do routine tasks hitherto done without supervision, questioning any action whose purpose isn't instantly self-evident, and showing *suspicion* that the subordinate is either flouting or has misunderstood the proper procedure.

Typically, the immediate result is that the target staff-member checks everything twice and starts to hesitate before making even the clearest-cut *decisions*. That *in turn results in a* slower work-rate, which supplies a real cause of complaint to the superior.

Moreover, it ushers in stage two because with the boss now justified in adding criticism of the slowness to the earlier torments, the target is likely to rush the job, so making mistakes. Hard evidence of unreliability is thus added to the charge-sheet.

Under the redoubled pressure, the subordinate is apt to move the process into stage three by losing confidence in his or her own ability. The consequent *worrying about what's the right thing* to do, let alone how to do it, typically leads to markedly reduced performance all-round and so to....

Stage four: the target either resigns, is demoted, gets sacked, or ends up being treated by the likes of Anna Greenwood as a case of mental breakdown. Hence her search for a means by which the subordinate can break out of the self-sustaining downward spiral – a quest which she began by appealing to her professional colleagues through the British Psychological Society's journal.

Although it brought in a good many recommendations, she says, none of them looks likely to be fully effective. Even where there are formal complaints procedures, for example, they tend to be counter-productive unless the target belongs to a union strongly ensconced *in the company or, if not, when the boss* concerned is only low in the executive hierarchy. In the case of complaints against more senior managers, research suggests it is odds-on that the higher level will be upheld over the lower.

Another cure mooted by the replies is to tackle the boss directly as soon as the stage-one pattern is discernible. Unfortunately, Anna Greenwood says, people need a lot of working experience *to twig what's happening so early, and* still more to know that allowing it to continue can be at least as damaging as a confrontation with authority.

Even the canniest of the proposals, she adds, is prone to the same snags. It is to respond willingly to whatever demands are made at the workplace, and during breaks to be overheard by gossipy colleagues expressing genuine concern about the pressures making such an able boss behave so stressfully.

Accordingly – recalling that two years ago readers decoded the medieval spelling of the name of a port which had defeated the French historian, Professor Bartolomé Bennassar – I'm hoping that you can once again do better than the professional experts.

NOW to the table below which gives indicators of going-rates of pay for *upper ranks of managers in Britain, as* shown by the latest survey made for the Institute of Directors by the Reward consultancy. The full report, containing detailed data drawn from a sample of thousands, costs £350 and is obtainable from Steve Flather at Reward House, Diamond Way, Stone, Staffs ST15 0SD; tel 0785 813566, fax 0785 817007.

My extracts are limited to six broad ranks – from fully executive chairmen to middle managers three perches below board-level – employed by companies in *three turnover brackets, which overlap.*

In each case, the table gives both salary and total cash rewards including bonuses. The lower quartile refers to the executive a quarter way up from the foot of a ranking of all in the same rank and turnover range, the median to the person mid-way, and the upper quartile to the one a quarter way down.

The figures are for the UK as a whole, taking no account of regional variances *which can be considerable.* To allow for rises since the information was collected, all the salaries should be increased by 0.7 per cent and by a further 0.35 per cent for each *month* from January onwards.

One clear message from the table is *that whatever advantages success as a* manager may bring in small outfits, they are not of the material sort. In the up-to-£25m bracket the median chairman's *total* pay *is just* over 2½ times that of the rank-three manager. In the £20m-£250m band the difference is 5¼ times, and at £200m-plus it is nearly eight times.

Michael Dixon

Annual sales of company:		Up to £25m			£20m to £250m			£200m-plus		
Type of executive		Lower quartile £	Median £	Upper quartile £	Lower quartile £	Median £	Upper quartile £	Lower quartile £	Median £	Upper quartile £
Chairman	*salary*	30,000	45,000	64,000	65,500	87,000	115,000	144,600	173,000	190,000
(full-time)	*total*	33,564	50,000	78,000	89,687	108,500	157,125	157,350	190,000	224,500
Managing	*salary*	33,696	42,000	54,600	55,072	71,750	89,075	73,625	107,500	150,000
director	*total*	36,000	46,000	62,732	60,077	78,045	100,000	80,800	113,500	160,000
Other	*salary*	28,000	35,000	43,000	37,926	45,000	57,312	53,250	75,000	100,000
directors	*total*	30,000	37,100	47,625	39,850	48,938	63,000	55,735	81,000	110,000
Rank-one	*salary*	23,684	28,500	33,690	26,237	30,250	36,000	32,746	40,300	49,245
manager	*total*	24,099	29,114	34,743	26,753	31,097	37,054	33,227	41,533	51,066
Rank-two	*salary*	19,968	22,750	26,324	21,587	24,800	28,000	25,644	29,734	35,050
manager	*total*	20,255	23,241	27,000	21,803	25,119	28,940	25,710	30,000	36,000
Rank-three	*salary*	16,944	19,188	22,000	18,000	20,356	23,350	20,000	23,630	27,092
manager	*total*	17,130	19,500	22,350	18,180	20,596	23,650	20,056	24,000	28,174

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CITY — ***c.£50,000 + full benefits package***

The successful applicant will have full responsibility for debt origination in Spain. Candidates must have fluent Spanish and a minimum of 2 years' experience of marketing debt in the region, with established contacts in the public and corporate sectors. Ref: CMS4870/FT

CJA CORPORATE FINANCE - FRENCH SPEAKER

CITY — **c.£50,000 + full benefits package**

Our client has a dominant position in cross border M&A and the successful candidate for this position will be responsible for both equities origination and M&A business in France. Applicants must have fluent French and a minimum of 2 years' equities related corporate finance experience, marketing to established contacts in the *French public and corporate sectors. Ref: CFF4871/FT*

Applicants for these positions should be aged 25-40 with a good first degree (ideally accounting/legal qualification - or MBA). We seek a proven *track record in deal making in the specific geographical region with a leading financial* institution, excellent communication and negotiation skills and commercial flair. **Candidates wishing an initial discussion please telephone 071-638 0680 (day) or 071-828 2891 (evenings) or write in confidence quoting reference to the Managing Director, CJA.**

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THE BOSTON CONSULTING GROUP

Die Boston Consulting Group ist die weltweit führende Beratungsgesellschaft auf dem Gebiet der Unternehmensstrategie mit Niederlassungen in Auckland, Boston, Chicago, Düsseldorf, Frankfurt, Hongkong, *London*, *Los Angeles*, Madrid, Mailand, Melbourne, München, New York, Paris, San Francisco, Stockholm, Sydney, Tokio und Zürich.

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A respected group with extensive interests in Saudi Arabia and the Gulf States seeks an Investment Adviser, who will be responsible for monitoring investments, which are predominantly in the USA and Europe and for identifying and reviewing investment opportunities globally.

Preferably a Chartered Accountant, you will be experienced in bond, stock, private company and property investment, with a working knowledge of the relevant principles of taxation and corporate law. You will need good communication skills, both oral and written, with a positive inter-personal attitude.

The attractive tax free salary is supplemented by a benefits package comprising free accommodation, car, air tickets, end of contract *payment and medical expenses. The initial contract, which is for one* year, is renewable by mutual agreement and carries married status.

Please write with full career and salary details to: Katrina Sevenoaks, Consultant, Austin Knight Recruitment, Knightway House, 20 Soho Square, London W1A 1DS. Telephone 071-439 5781. Please quote reference: A258.

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City based

AMP Asset Management manages funds of some £13 billion for the AMP Group and is committed to the delivery of consistent superior returns tailored to individual client needs.

We currently have a new position for a European Equity Analyst to join us and assist our European Portfolio Managers in the detailed analysis of companies, with particular emphasis on long term growth potential.

The ideal candidate will be a graduate with a good honours degree and will be studying for the IIMR (SIA) qualification. At least 2 years' relevant experience in a fund management or broking house is essential, as are good *communication skills and the ability to use* computer based systems.

In return for talent and commitment, we offer the kind of competitive salary and benefits package one would expect of a major fund manager. To apply please write with your CV to Caroline Quinn, Personnel Officer, AMP Asset Management plc, 55 Moorgate, London EC2R 6PA.

AMP ASSET MANAGEMENT

MIDDLE EAST OPPORTUNITIES

Head of Project Management

Experience in project analysis, promotion and management as well as direct investments, acquisitions and joint ventures. Extensive financial background is required and preference will be given to candidates with regional exposure.

Head of Portfolio Management

Skills in managing a Portfolio Management area is a prime requirement coupled with at least 10 years experience in handling institutional accounts and operating mutual funds. A thorough knowledge of global markets and products is necessary while regional experience would be considered an advantage.

Assistant Treasurer

Minimum of 10 years experience with 5 years in managing treasury department personnel. Working knowledge of contemporary global treasury products with emphasis on liability management.

For further information please contact Brian Jarvis – General Manager
Jonathan Wren International
Manama, Bahrain Tel: 010 973 532582 Fax: 010 973 532604

JONATHAN WREN INTERNATIONAL

Head of UK Equity Fund Management

City based — **Top level remuneration package**

This is an outstanding opportunity for a seasoned investment management professional to take full responsibility for the management of a UK Equity department with assets approaching £4 billion. The company is a major force in the UK and is at an exciting stage in its development.

The position is likely to appeal to candidates in the age range 35-50 who can demonstrate both the ability to manage funds with a consistently superior performance record and the skill in leading a team of experienced fund managers.

You should have gained at least 10 years' experience in the management of UK equities with particular emphasis on major companies as you will be expected to take direct responsibility for the management of a sizeable portion of the assets as well as providing technical leadership on investment strategy and UK equity asset allocation policy. Above all, you must possess well developed communication skills and the ability to maintain high standards and good morale by a mature and decisive management style.

If you would like to be considered for this appointment, please write in complete confidence to:

IMR Recruitment Consultants, 1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW (tel: 071-872 5447).

IMR

INVESTMENT MANAGEMENT RESOURCES

Compliance Equities/Capital Markets

£ Excellent

Our client, one of the UK's leading banks, is seeking a senior compliance officer for it's equities business. Working as part of a well structured compliance department this represents one of the best opportunities to become available in this field for some time.

This specialist will be accountable for all compliance issues in equities, but may additionally have input into capital markets and global treasury. To that extent, the scope of the position depends on the specific expertise of the successful appointee. The equity business comprises a substantial market maker, corporate stockbroker, derivatives and global proprietary trading. Working closely with business heads, the role includes maintenance of close links with regulatory bodies, ongoing surveillance of business units, developing and documenting compliance procedures and ensuring the continuing education of members of staff in the practical implementation of regulation.

The position will be particularly attractive to talented individuals with ambition and flair looking to develop their career in a stimulating environment. Candidates will have a proven track record in compliance with a good working knowledge of SFA and Stock Exchange Rules. It is essential that candidates have excellent experience of equities and all associated regulatory matters. Personal qualities will include a strong character, authority, presence and diplomacy. A positive approach is key.

Interested applicants should contact **Anna Williams** or **Paul Wilson** on **071 831 2000** or write to them including a full curriculum vitae and details of their current salary package at **Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH.**

MP

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Financial Services Regulation

Investment Management — *City*

IMRO - Investment Management Regulatory Organisation Limited - is responsible for the regulation of investment managers under the Financial Services Act. It has over 1,200 Members, including fund managers, unit trust managers, pension fund managers, venture capital companies, banks and trustee companies.

Our Member Assessment Department is responsible for the initial assessment of applications for membership of IMRO and for the subsequent monitoring of the investment management activities of Members. We now wish to recruit additional Member Assessment Officers to work as part of a monitoring team reporting to a Manager.

All candidates must have some directly relevant, practical experience in, for example: investment management; investment administration; compliance; regulation; or financial services investigations/auditing. Applicants should be of graduate calibre and must have an enquiring, analytical mind and a high level of interpersonal and communication skills.

Suitable candidates are likely to have at least 10 years' work experience and the posts could be of interest to anyone from the investment management industry seeking a change of career direction.

Each of these posts offers an excellent opportunity to make a positive contribution to self-regulation and to gain valuable personal and career development experience. In addition, a fully competitive remuneration package will be offered, including mortgage subsidy, non-contributory pension and medical insurance.

Please write (under confidential cover) with a curriculum vitae, including salary, and state your reasons for applying and how you meet the requirements of the position, to: Robert Charleston, Head of Personnel and Training, IMRO, Broadwalk House, 5 Appold Street, London EC2A 2LL. Please quote reference number MA92/12.

IMRO

ECONOMIST /ASSISTANT EDITOR

Consensus Economics undertakes surveys and is a leading publisher of international macroeconomic forecast information. We are seeking a highly motivated junior to assist in all aspects of the data development, writing and marketing of our range of monthly newsletters. Previous experience in macro or financial economics, familiarity with the use of personal computers, and an ability to work in an environment calling for team work, versatility and attention to detail are desirable. Starting salary is likely to be in the region of £14,000 - £18,000 plus merit increases and participation in our bonus plan. Interested applicants should write, enclosing their Curriculum Vitae:

Philip M. Hubbard, Consensus Economics Inc., 49 Berkeley Square, London, W1X 5DB

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STEPHANIE COX-FREEMAN
071 873 4027

INVESTMENT BANKING

Analyst - M&A/Corporate Finance

- Highly Competitive Package -

A growing boutique firm combining corporate finance and mergers and acquisitions activity with strategic management consulting skills is seeking 1-2 associates/analysts for its London office.

Successful candidates will prepare company valuations, construct business plans and recapitalization models, write information and placement memoranda, conduct industry research and play an active role in client acquisitions, sales and due diligence processes.

Candidates should have at least 2 years' experience as an analyst in the corporate finance or mergers and acquisitions department of a US investment bank or a major British or European merchant bank.

Aged 23-28, he/she should possess excellent analytical and writing skills, as well as strong technical finance and accounting skills. Candidates must have significant experience and proven skills in computer modelling (Lotus or Excel) and be able to handle external contact at senior levels. He/she will be a crucial part of a small team that "does everything".

Fluency in German and/or other Northern or Central European languages would be advantageous. Extensive travel and long hours are required. EEC passport essential.

Please respond to the company in writing, enclosing full cv to: Box A634, Financial Times, One Southwark Bridge, London SE1 9HL

OECD / OCDE

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT – PARIS
HEAD OF THE INTER-ORGANISATIONS STUDY SECTION ON SALARIES AND PRICES OF THE CO-ORDINATED ORGANISATIONS (GRADE A5)
(13,000 staff in 25 countries)

The Section, located in Paris, provides the Secretariat to the Co-ordinated Organisation's work on all questions concerning staff remunerations; including support to the salary negotiations process.

The Section's responsibilities include:

-- providing substantive and administrative support to the Committees involved in the Co-ordination;
-- conducting the appropriate technical surveys/studies as required to support proposals;
-- providing technical assistance to all concerned parties, as needed;
-- drafting policy and technical documents related to all co-ordinated aspects of remuneration.

Qualifications required

-- Higher level university degree in Public Management or Business Administration, Statistics, or equivalent training. Experience in remuneration policies and concepts, job classification and taxation in an international organisation an advantage.
-- In-depth understanding of the use of statistics in the calculation of indices and purchasing power parities.
-- Skill in dealing with representatives of international organisations, national civil services, and with senior representatives of private firms.
-- Excellent spoken and written knowledge of either English or French. Very good knowledge of the other.

An appointment is offered for an initial period of 2 or 3 years. Salary: 435,084 French Francs per annum plus allowances according to family and residence situation is normally net of income tax.

Vacancy is open to both men and women and will be filled by a national of an OECD member country. Detailed curriculum vitae form in English or French should be sent before 12th January 1993 to:

INTERORG
Human Resource Management Division
OECD, 2, rue André-Pascal
75775 PARIS CEDEX 16
FRANCE
Fax: (33.1) 45 24 79 11

Please note that only short-listed candidates will be contacted.

RIYAD BANK
Saudi Arabia

Riyad Bank, Saudi Arabia's most prominent Bank, with a network of over 160 domestic branches and international offices in the USA and UK, is offering excellent career opportunities for the following positions:

RETAIL BANKING EXECUTIVES

Vacancies exist in a number of the Bank's Regional Offices as Regional Executives.

Each region consists of 30-35 branches and applications are invited from bankers who have branch, regional and Middle Market lending experience.

Key responsibilities:

- Consumer/commercial lending • Branch budgeting and planning • Branch sales programs
- Market segmentation programs • Branch operations, purchasing, premises etc.

Job skills requirement:

- General Management experience for senior positions • University Degree - Marketing major or MBA preferred • Minimum of 10 years retail banking experience • Knowledge of Arabic a considerable advantage

CONTROLLER - CORPORATE LENDING

To service the volume of increased business and strengthen the credit assessment function generally as a result of the recent profitable growth from all areas of the business activity, including domestic corporate banking, the Bank has an opening for this position based within its Credit Control Division at its Head Office in Riyadh.

Job requirements:

- University Degree
- Minimum of 7 years experience in corporate finance, gained in a branch bank environment
- Ability to undertake prompt and expedient appraisal, involving either the sanction, restructure or decline of lending proposals
- Good technical and diplomatic skills with sound commercial judgement in addition to effective written and spoken communication skills
- Capability to offer more than a matrix based approach to credit assessment

Major responsibilities:

- Assist Senior Management in the supervision and control of the Bank's corporate lending so as to minimise risk of loss and increase profitability
- Advise and assist regions and branches in developing and controlling advances
- Evaluate with speed and thoroughness applications against the criteria of sound lending principles
- Cultivate and maintain a harmonious working relationship with superiors and staff throughout the Bank's domestic branch network
- Train and motivate subordinates, develop their expertise and encourage sound credit practices at branch level

Fully competitive compensation package will be offered to the successful candidates. Please fax your application including current salary and benefits as soon as possible to:

FAX NOS: 966 1 405 7353, 966 1 404 0689.
RECRUITMENT DEPARTMENT, RIYAD BANK, P.O. BOX 22613, RIYADH 11416, SAUDI ARABIA.

As the leading German Merchant Bank we have been represented in London since 1978 and opened our Branch in August 1987 as part of the expansion of our international network. The success of London Branch creates the need to recruit an able and qualified

Corporate Marketing Officer

Position to market and sell the full range of the Group's services, including trade & project finance, mergers & acquisitions advice & finance, money market & foreign exchange services, to existing and potential corporate customers in the British Isles.

Requirements a good degree, very probably with business or financial postgraduate qualifications. Strong technical knowledge; experience of credit and the above mentioned products and services. Good origination and deal completion record with excellent relationship management skills. A self-motivated creative articulate professional with sound judgement and team skills. Knowledge of German and a particular industry an advantage, but not essential. Candidates with less than 8 years relevant experience are unlikely to have sufficient breadth and depth of knowledge.

Credit Officer

Position to be part of our credit team which assists in structuring customers' needs in cooperation with the Corporate Banking Department. Prepare analytical reports, ensure approval requirements are adhered to and legal documentation is correctly drafted and completed.

Requirements ACIB, with another relevant qualification an advantage. Excellent communication skills, coupled with self-motivating qualities, a wide range of credit experience and a creative approach. Experience in the preparation of concise reports from which to make a sound credit judgement; practical knowledge of drafting and reviewing documents. Knowledge of German useful, but not essential. Candidates should have a minimum of 5 years banking experience.

Internal Auditor

Position to perform a full range of specified Branch Audits within a pre-set time frame, reporting directly to General Management, and to assist the Compliance Officer.

Requirements substancial operational experience in a Merchant Bank environment followed by at least 4 years in an Internal Audit Department at a senior level. In-depth knowledge of treasury products, fixed-income securities, trade finance, credit and loan administration functions. Candidates should additionally have a good working knowledge of the UK regulatory environment and have gained some of their experience utilising MIDAS software.

Offer All three positions offer a variety of challenges and wide-ranging responsibilities to exceptional candidates. Benefit package and salary are commensurate with our standing and your ability and experience.

BHF-BANK
Merchant Bankers by Tradition

If you have the ability to meet one of these roles, then please send your curriculum vitae with salary details to the Head of Personnel, BHF-BANK, London Branch, 61 Queen Street, London EC4R 1AE.

– Foreign Exchange Trader –
Private Banking

We are looking for an experienced trader to deal on behalf of wealthy clients worldwide and advise marketing officers and portfolio managers on market trends and opportunities.

Based in London, you will be part of our highly successful European trading team dedicated to private banking. This challenging role offers the variety and flexibility of being part of a small, professional team – supported by one of Europe's largest trading networks.

Candidates should have 3-5 years foreign exchange experience, preferably in European currencies. Exposure to options and derivatives dealing is an advantage. Excellent interpersonal skills and analytical flair are also required.

We offer a highly competitive compensation package. If you are interested in finding out more, please contact Nicola Symecko, Human Resources Manager, Citibank Private Bank, 41 Berkeley Square, London W1X 6NA.

CITIBANK
We are an equal opportunities employer

GUINNESS FLIGHT
GLOBAL ASSET MANAGEMENT LIMITED

OPERATIONS/ADMINISTRATION MANAGER

Guinness Flight is an expanding investment management company with a wide ranging product base. We are currently seeking to recruit a manager as deputy to the Head of Securities in our growing investment administration department which handles unit trusts, PEPs and securities activities.

The ideal candidate will probably be a graduate/ACA qualified, aged between 28 and 35, with at least five years practical experience of Operations and Administration in international fund management at a supervisory level. A knowledge of unit trust operations is preferable together with demonstrable computer literacy and management skills.

Please reply in writing with full CV to: Veronica Burwood, Personnel Manager, Guinness Flight Global Asset Management Limited, 32 St Mary at Hill, London EC3P 3AJ.

DERIVATIVES ANALYST

To lead an exciting new project for RISK Magazine, the world's foremost derivatives journal. First-hand knowledge of derivatives as a user, trader, researcher etc. essential. Ability to write clearly and concisely also vital. Compensation will reflect the considerable importance of this position within the organization.

Please send cv with hand-written covering letter to:
Deputy Publisher,
Risk Magazine Ltd,
104-112 Marylebone Lane,
London W1M 5FU.

Assistant Manager, Bonds and Currencies

Capital House Investment Management Limited is seeking a highly numerate graduate with up to 2 years experience in the money market, fixed interest and foreign exchange fields. The position involves a significant element of dealing in each of these areas. In addition, the successful candidate will quickly assume responsibility for certain portfolios.

We will offer an attractive package commensurate with age and experience.

Please send full CV together with details of current salary to:
The Personnel Director, Capital House Investment Management Limited, 24 Chiswell Street, London EC1Y 4SP.

CAPITAL HOUSE

AGENCY BROKING

Clive Discount Company Limited, a leading discount house in the City of London and member of the London Discount Market Association, has recently formed a new subsidiary, Clive Agency Bond Broking Limited, with the intention of establishing a comprehensive broking service in Gilts, Euro-Sterling and other Foreign Bonds.

The new subsidiary company now seeks to recruit several individuals with wide experience of sales and dealing in the relevant markets.

Applicants should be high calibre, ambitious individuals who can succeed in a demanding but rewarding environment.

Career prospects are excellent for successful candidates, who will derive considerable benefit from working within a major international financial services group.

Please respond, in complete confidence, at the earliest opportunity, during office or evening hours, to either Peter Giblin or Christina Wright at Axiom Advisors Ltd, 40 Long Acre, London WC2E 9JT. Tel. 071 836 8722. Fax. 071 836 6066

Clive Discount Company Limited
a subsidiary of
The Prudential Insurance Company of America
Newark, New Jersey

FOX-PITT, KELTON
London : New York : Geneva

CORPORATE FINANCE

Fox-Pitt, Kelton is an international investment banking and broking house specialising in the banking and insurance sectors. We are seeking a senior corporate finance executive to join our London team.

Working closely with the Managing Director and European Director, the ideal candidate will display the following profile:

- Detailed knowledge of European insurance and banking sectors
- Experience of mergers and acquisitions and new equity issues
- Fluency in English, and one or more European languages
- Ability to speak with authority at senior management levels
- Well developed analytical skills
- Excellent academic record, ideally including an MBA or professional qualification
- High degree of computer literacy and experience of commonly-used PC software packages

The successful candidate will have the entrepreneurial flair and personality to warrant membership of the Group's senior management team in due course. The position carries a highly competitive salary, negotiable according to age and experience, with the prospect of a substantial performance related bonus.

Please write in strict confidence to Camilla Somerville-Cotton, Fox-Pitt, Kelton Limited, 38, Finsbury Square, London EC2A 1PX.

BEAR, STEARNS

Bear, Stearns, a leading US investment banking and stockbroking company, is seeking to employ Analysts to join the French desk; fluency in French is essential. Experienced analysts wishing to be considered should send their CV to:

Miss S. Paton
Bear, Stearns International Limited
One Canada Square
LONDON E14 5AD

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We represent a sophisticated international investment bank which is expanding its global derivatives products group.

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Applicants must have a strong understanding of FX derivative products coupled with well developed communication skills. It is anticipated that the successful candidate will have at least 2-3 years direct experience within a recognised derivatives group together with an outstanding academic background.

For a confidential discussion please contact Timothy Sheffield on 071-623 1266 or apply in writing to the address below.

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Telephone 071-623 1266 Facsimile 071-626 5259

JONATHAN WREN EXECUTIVE

Experienced Credit Manager required with general lending and trade finance background for small department. Good credit analysis and communication skills essential. ACIB qualification desirable. CV's to The Personnel Manager, Dao Heng Bank (London) Plc, 86 Newman Street, London W1P 3LD.

LIFFE TRADERS

Our clients require temporary and permanent qualified floor traders. All meetings are in the City and enquiries are strictly confidential.

Advantage Recruitment,
46 Robyns Way, Sevenoaks,
Kent TN13 3ED. 0732 743058

SENIOR FINANCE & OPERATIONS MANAGERS
(1 for Prague – 1 for Slovenia)

International Bank seeks qualified accountants with a minimum of 5 years bank management experience incorporating systems, operations and financial. Applicants must also be fluent in either Czech or Slovenian.

For further information please contact:

Sandra Clark on 071-377 5040

LJC Banking Appointments, Devonshire House, 146 Bishopsgate, London EC2M 4JX

HEAD OF FINANCE
Economist and Qualified Accountant

City Lawyers **£50,000 +**

This firm enjoys above average profits for its sector, has an agreed strategy for delivering distinctive services, and its 5 year strategic plan will produce further profitable growth.

Their present Head of Finance is due to retire to the country in 1993 and they seek a skilled, able, personable, *hardworking, finance professional* to head up their finance and **firm wide I.T. services.**

Prevailing financial systems meet very high standards and the short term focus will be to match the delivery of quality results on time.

Subsequently, the new Head will build upon these systems and apply thoughtful economic analysis to the future of the business with the objective of maintaining and growing profitability. This will require the ability to be a major influence for change in a business providing cost effective legal services of a consistently high quality.

The ideal candidate will be a graduate economist, as well as a qualified accountant. People selected for shortlist will be able to demonstrate their ability to deliver, manage, develop, delegate and thrive in an atmosphere which is fast moving, profit focussed and intellectually challenging. The environment is one where a combination of finely tuned personal and professional skills enjoy stability and high rewards.

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KIDSONS IMPEY

Please write in complete confidence to convince Peter Willingham to meet you. Enclose your CV and include a daytime telephone number quoting reference 432.

Amstrad®
NON-EXECUTIVE DIRECTORS

Amstrad plc wishes to appoint two Non-Executive Directors.

The first applicant should have sufficiently senior experience to be able to appraise all financial aspects of the company.

The second applicant should be an industrialist with a consumer product manufacturing background, or be highly experienced in the distribution of consumer products to trade customers. *Retail experience alone will not be adequate.*

In both cases experience at main board level of listed companies is essential, and knowledge of international business an asset.

Whilst this advertisement has been placed by Amstrad plc, the Board wish to demonstrate their independence in the appointment of two non-executive directors and have entrusted the selection of a short-list to PRO NED Limited, an organisation specialising in assisting companies with the appointment of independent non-executive directors, backed by, amongst others, the Bank of England, the London Stock Exchange and the Institutional Shareholders' Committee. Would applicants please apply to the address below:

PRO NED Limited, 1, Kingsway, London WC2 B6XF

Financial Director

Northamptonshire **c.£30k + benefits**

Our client, a privately owned company, is one of the largest independent automotive component manufacturers and distributors in the UK. Rapid growth and a turnover in excess of £8 million has created the need for a Financial Director to supplement the senior management team.

Reporting directly to the Managing Director, the successful candidate will be a qualified accountant, be computer literate and have a minimum of five years management experience gained within a commercial environment. Aged *late* 30's, the ideal candidate will have a solid background in Sales Distribution and Stock Management. Experience of working within a production or manufacturing environment would be an advantage.

The position will have prime responsibility for advising the Board on strategic and operational financial matters, developing and implementing *financial management systems* and *managing the day to day* activities of the accounts department.

If you believe that you are a team player, are energetic and enjoy working within a dynamic and changing environment, then please write enclosing full personal and career details to: Mrs S.L. Dobinson.

ROBSON RHODES
Chartered Accountants
Management Consultancy Division
Bryanston Court, Selden Hill, Hemel Hempstead, Herts, HP2 4TN

Financial Director (Leisure)

Surrey ***£40,000 package + Car, Benefits***

A well-established, private company operating in the golf, and health and fitness market, our client employs 350 people at seven operating units in the South East, generating a turnover of around £7.5m.

Reporting directly to the Managing Director, this is a wide-ranging role demanding a strong hands-on approach, plus a high level of self-motivation and proven initiative. In addition to supervising all company/management accounts, key areas of expertise will cover: Advice on asset redeployment; short and long-term funding strategies; feasibility/acquisition proposals; tax law compliance; change-management as required and regular review of business plans.

You should therefore be ICA/ACA-qualified with a strong accountancy background gained in a leisure environment.

For more information initially please write, enclosing your full CV, to: Miranda French, Portfolio International, 5 Breams *Buildings, Chancery Lane, London* EC4A 1DY. Telephone: 071 430 1525. Fax: 071 831 2922.

PORTFOLIO

Finance Director
Europe

Medical Diagnostics, Berkshire
c. £50,000 + benefits + car

Syntex is a major healthcare company with a worldwide reputation for excellence. Nowhere is this more apparent than at Syva, where we design and manufacture a sophisticated range of diagnostic equipment to meet complex laboratory needs.

Syva's European business currently has operating subsidiaries in most major markets and is entering a period of significant expansion.

This position reports to the Director of Commercial Operations for Europe, and will play a key role in the development of the business and of the organisation.

You will be responsible for planning and controlling all financial aspects of Syva's business in Europe, reporting functionally into the US. In addition to providing a full range of business guidance and advice to senior management, you will be expected to implement Syva's distribution and logistics plan for Europe.

Probably aged in your 30s, with full professional qualifications, you will already have gained in depth experience at a European level.

You will need excellent communication and interpersonal skills, coupled with enthusiasm, commitment and an ability to apply your *knowledge and skills both at a hands-on unit level and strategically* as part of Syva's senior management team in Europe. Fluency in a second European language will be an advantage.

The reward package is superb.

Please apply in complete confidence with full CV, covering letter and details of current salary to Mark von Haartman, Human Resources Director, Syva Europe, Syntex House, St Ives Road, Maidenhead, Berkshire SL6 1RD. Tel: 0628 777808. Fax: 0628 75321.

Syva

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ACCOUNTANCY COLUMN

Recession hinders efforts to improve racial mix

Few applicants and even fewer recruits mean only 1.6% of trainees are black, writes Sunjay Kakar

ANYONE turning to the last report of the Commission for Racial Equality on discrimination in the accountancy profession six years ago was in for some unpleasant reading. Now the impact of the recession is threatening to stall any further progress.

The CRE report, published in 1986, showed that the proportion of white candidates hired by the larger firms was about four times higher than for black applicants. The white success rate at interview was nearly twice as high, with a slightly higher disparity at second compared with first interview. Black applicants were disproportionately rejected at all stages.

It recommended that improved recruitment, assessment and selection techniques would not only reduce these disparities, but also assist the profession to solve its own graduate recruitment shortage.

The situation today remains hard to assess, because reliable statistics are still not available. The Institute of Chartered Accountants in England and Wales began ethnic monitoring of candidates in 1988 but a significant number of trainees signing contracts are still reluctant to provide this information. For 1991-92, the proportion of training contacts held by black students was 1.6 per cent, and for Asians 3.4 per cent.

The impending shortage of young professionals in the early 1980s prompted accountancy firms to adapt their recruitment practices. Mr Richard Parnell, a director at Robert Walters Associates, says: "Certain firms were making little effort to give people from ethnic minorities any equal opportunity. They then realised that they had to get all hands on board. They turned to all sections of the community."

Gradually the ethnic mix has been changing. Mr Stephen Boley, national director of graduate recruitment at Coopers and Lybrand, says that of his firm's junior grades, 8 per cent come from ethnic minorities. "This reflects the higher percentage now coming through the higher education system," he says. "We expect this to work through to higher grades in the coming years. Currently we have only one partner from an ethnic minority."

Lack of representation at senior levels is also true in the professional bodies. Mr Prem Sikka, a lecturer at the University of East London, points out that there is not a single ethnic minority on an important committee in the accountancy profession. "The people running these committees will not see it as a deliberate decision, but it has always been that way so they are institutionalising unequal opportunities," he says.

The Institute of Chartered Accountants points out that it does have a small number of people from ethnic minorities on some of its committees.

One reason for continued under-representation is the concentration by firms on recruiting from a small number of long-established universities. By contrast, most ethnic minorities attend the modern universities and polytechnics and those in London. In the capital each college draws more than one quarter of its intake from ethnic minorities, though many of these are foreign students who could not be employed.

Mr Nigel Llewellyn, national recruitment partner at Touche Ross, defends his firm's strategy. "Some campuses have more potential applicants of better quality, so it makes sense that we direct a greater proportion of marketing spend to those areas where it will yield the best results," he says. "This does not mean that a candidate from a campus which has not been targeted in this way stands less chance of receiving an offer."

In the late 1980s, firms were keen to look beyond their traditional pool of applicants. With the recession, much of that impetus has been lost. Mr Andrew Colquhoun, secretary and chief executive of the Institute of Chartered Accountants in England and Wales, says: "Many accountancy firms still only recruit actively from a limited number of universities because that is where they have met their best graduates in the past. That is rational economic behaviour on their part. Unfortunately the recession has probably narrowed this recruitment base further."

Firms are nevertheless adopting a number of tactics to counter potential discrimination. Ms Faith Jenner, UK director of recruiting and personnel at Arthur Andersen, says more than one person considers each candidate in order to eliminate any chance of individual bias creeping in. "We aim to recruit the best so it is very much in our interest to help interviewees feel comfortable," she says. "That way we see them at their best and can gauge their potential better."

Mr Llewellyn says that a big element of interviewer training at Touche Ross is focused on the need to eliminate bias. "These procedures have proved very effective over the last ten years," he says. "Sadly, a deeper issue remains, which is that the number of applicants from minority backgrounds with proven academic strength is disappointingly low, particularly in the case of those from the Afro-Caribbean Community. If more would apply the final position would be much improved."

Ms Jo Magne, national personnel manager at Moores Rowland, agrees. "We closely monitor graduate applications and have traditionally received very few from African or Afro-Caribbean candidates," she says. "Asian candidates apply in higher numbers."

The firm's recruitment figures for the last four months of last year highlight the problem. Two-thirds of applicants to the firm were European, of which 47 per cent were invited to a first interview. Asians comprised 30 per cent of applicants, but 37 per cent of them were invited for interview. But for Africans/Afro-Caribbeans, the figures were 4 per cent who applied and 16 per cent invited for interview.

Ms Magne says that African and Afro-Caribbean applicants are generally not invited to interview because of their lack of research into the profession and their inability to provide a sensible answer to the question of why they want to be a chartered accountant.

That is a view shared by Mr Errol Elliot, chairman of the recently-formed Black Accountants Society. He argues that accountancy has a low profile in the black community and many black applicants carry out insufficient research into the profession. "The bottom line is that the accountancy exams are tough and time-consuming," says Mr Elliot. "We are there to provide support so that black students realise that the exams are there to be passed."

Mr Deepak Haria, a manager in the financial markets division at Arthur Andersen, who was seconded to the firm's recruitment department for seven months in 1990, says that firms should not under-estimate the importance of using role-models to attract high quality graduates from all backgrounds. "It is the diversity of skills, knowledge and background of an accounting firm's workforce which contributes to its present business success and future growth."

Mr Philip Nagenda, a black African chartered accountant and head of internal audit for three NHS authorities, has observed that many clients have difficulties coping with the idea of a black senior auditor. "If there is a black person in a team of two or more auditors, they automatically assume that the black person is the junior auditor," he says. "This stereotyping will not change until we have more black accountants."

While the economy was growing, the increase in demand for recruits by the leading accounting firms coincided with the emergence of a second generation of highly educated ethnic minorities who were joining the job market. But the present recession is so intense that the demand for young professionals has been reduced and accountancy firms can afford to make less effort to widen their ethnic base.

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Further fall as base rate hopes recede

By Terry Byland, UK Stock Market Editor

INTEREST rate optimism was firmly discouraged yesterday both by the Bundesbank and by the UK chancellor of the exchequer. The setback in the UK stock market deepened in the face of a fresh sell-off in stock index futures.

A fall of 24.2 points took the FT-SE Index down to 2,726.5, virtually the day's low and around 2.3 per cent below the peak achieved only ten days ago. Yesterday's setback ranged across the full range of the market, bringing a fall of 6.9 in the FT-SE Mid 250 Index.

Share prices tried to rally from a dull start but soon turned back again as first reports reached London from the Bundesbank's press conference; unchanged German rates, plus a warning from the Bundesbank president that there was no room for a rate cut at present, undermined lingering hopes for a reduction in UK base rates before the year-end.

Worse was to come, however, when Mr Norman Lamont, the UK chancellor of the exchequer, ruled out any early cut in base rates, although, reviewing the first of the Treasury's monthly monetary reports, he saw encouraging signs for the domestic economy.

The premium on the December contract on the Footsie melted away, leaving the contract in line with the cash market at the official close. With the two-week equity trading account due to close tonight, professional traders were looking for ways to take their profits. In addition, there were many large "bed and breakfast" tax-related deals.

Seaq-reported trading volume, swollen by the tax-related business and by a trading programme towards the close, totalled 711.7m shares compared with 660.5m on Wednesday. Retail, or customer business in equities, was worth £1.28bn on Wednesday but traders believe that equity volume is being swollen significantly at present by the year-end tax-related deals.

While few strategists had remained convinced that a further base rate cut would come this year, yesterday's discouraging news from Germany and the UK took some of the speculative steam out of the equity market. The stock market has risen by around 16 per cent on the Footsie scale since Britain quit the ERM in mid-September and a pause for consolidation has been expected.

Corporate developments also remained bleak yesterday, with Guinness, the international drinks group, again hit as City analysts digested the outcome of the meetings with the board arranged this week.

The renewed weakness in sterling, mirrored yesterday by half point losses in UK government bonds, prompted some strategists to take a more cautious line. Mr Peter Lyon at Smith New Court, the London securities trading house, commented that, while the market's underlying uptrend is still in place, the risks of a correction have strengthened. At UBS Phillips & Drew, Mr Mark Brown repeated the widespread concern that UK institutions will be obliged to commit more cash flow to government bonds next year and could therefore be net sellers of equities.

However, selling pressure in equities was not heavy enough to cause concern. After allowing for the end-year technical activity, traders believe that the institutions are still positive towards the UK stock market and are doing little more than make minor adjustments to portfolios ahead of 1992.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	16	408	+10
ASDA Group	8,600	59½	+1½
Abbey National	1,000	357	+3
Albert Fisher	6,000	60	-4
Allied-Lyons	2,400	617	-11
Amstrad	5,100	24	
Anglian Water	419	469	-3
Argos	1,000	287	-1
Argyll Group	2,300	392	-4
Arjo Wiggins	13,000	143	-8
Ass. Brit. Foods	141	488	
Ass. Brit. Ports	462	323	-9
BAA	1,600	788	-8
BAT Inds.	3,800	954	-17
BET	8,600	89	+2
BICC	2,800	287	-8
BOC	1,100	770	+2
BP	21,100	221½	-1
BPB Inds.	3,100	190	+5
BT	5,300	389½	-2½
BT New	2,800	296	-2
BTR	3,000	512	+1
Bank of Scotland	10,000	122½	-½
Barclays	4,100	376	-1
Bass	5,000	804	-6
Berisford Int.	1,900	18½	
Blue Circle	1,700	172	+1
Booker	97	362	-2
Boots	2,400	519	-8
Bowater	1,400	470	-3
Brit. Aerospace	4,800	138	+6
British Airways	2,500	278	+2
British Gas	7,800	265½	-1
British Land	1,000	174	+4
British Steel	8,000	54	-1½
Burzl	9	108	-1
Burmah Castrol	1,100	688	+3
Burton	4,000	59½	-1
Cable & Wire.	1,400	648	
Cadbury Schweppes	1,800	456	-9
Calor Group	2	213	-2
Carlton Comms.	1,800	712	-4
Coats Viyella	1,900	215	

	Volume 000's	Closing Price	Day's change
Comm. Union	921	584	+1
Cookson	1,100	178	+1
Courtaulds	1,000	606	+2
Dalgety	212	464	-3
De La Rue	570	848	-1
Dixons	1,400	283	-2
Eastern Elect.	822	400	+3
East Midland Elect.	489	409	+5
Eng China Clays	1,000	425	-11
Enterprise Oil	1,000	434	-10
Eurotunnel Units	136	347	-6
FKI	3,300	102	
Fisons	1,800	217	-5
Forte	1,300	184	-4
Gen. Accident	1,800	532	-1
General Elect.	5,000	259	+1
Glaxo	5,100	801	-18½
Glynwed Intl.	518	222	-7
Granada	2,000	330	-5
Grand Met.	6,600	430	+7
GUS A	722	1618	-35
GRE	3,800	172	-1
GKN	947	420	+2
Guinness	7,800	478	-24
HSBC (75p shs)	7,100	471	-15
Hammerson 'A'	616	250	+9
Hanson	7,000	226	-3½
Hanson Warrants	1,800	17¼	-½
Harrisons Crosfield	355	140	-3
Hillsdown	1,000	114	
IMI	501	252	-4
ICI	1,800	1023	+3
Inchcape	2,000	489	-3
Kingfisher	877	569	-7
Kwik Save	338	782	-4
Ladbroke	7,300	184	-6
Land Securities	585	415	
Laporte	378	618	-4
Legal & General	2,000	415	-3
Lloyds Abbey	824	384	-8
Lloyds Bank	3,200	502	+5
LASMO	2,700	143	-8
London Elect.	915	427	-4

	Volume 000's	Closing Price	Day's change
Lonrho	6,000	75	-4
Lucas	831	139	-3
MB Caradon	613	271	-4
MEPC	665	326	-2
Manweb	487	472	+1
Marks & Spencer	11,000	319	-9
Midlands Elect.	787	451	-2
NFC	4,000	259	-7
NatWest Bank	2,400	381	+2
National Power	1,300	278	-2
Next	5,200	137	
North West Water	2,500	488	-6
Northern Elect.	819	441	-3
Northern Foods	2,300	270	-7
Norweb	308	454	-4
Pearson	1,000	370	-6
P & O	2,400	466	
Pilkington	16,000	87	+3
PowerGen	2,300	278	-1
Prudential	3,000	282	-4
RHM	383	271	+2
RMC	389	513	+3
RTZ	1,400	644	-7
Racal	3,100	153	-3
Rank Org.	522	661	-3
Reckitt & Colman	1,600	606	+3
Redland	2,100	381	+1
Reed Intl.	731	626	
Rentokil	435	194	
Reuters	1,200	1375	-1
Rolls Royce	2,700	100	
Rothmans	1,400	643	-39
Ryl Bk Scotland	5,400	181	+2
Royal Insurance	5,500	273	+8
Saatchi	465	182	+2
Sainsbury	1,600	532	+3
Scottish & New.	388	429	-1½
Scot. Hydro-Elect.	390	250	-1
Scottish Power	4,600	236	-1
Sears	8,300	97	-2
Sedgwick	4,700	160	+3
Seaboard	370	435	-5
Severn Trent Water	2,400	449	-1

	Volume 000's	Closing Price	Day's change
Shell Transport	7,700	548	-1
Siebe	982	391	+6
Slough Ests	379	140	
Smith (W.H.) A	616	403	-2
Smith & Nephew	904	161	
SmKl Beecham	3,000	526	-1
SmKl Beecham Uts.	1,800	469	-3
Smiths Inds.	962	341	-7
Southern Elect.	600	426	-2
South Wales Elect.	54	466	-6
South West Water	308	465	-5
South West. Elect.	698	436	-2
Southern Water	231	446	-6
Standard Chard.	1,500	534	-1
Storehouse	2,900	199	-4
Sun Alliance	1,600	332	+5
T&N	165	155	
TI Group	665	298	-6
TSB	4,700	139	-4
Tarmac	15,000	99	+4
Tate & Lyle	1,600	382	
Taylor Woodrow	13,000	60	
Tesco	8,000	249	-2
Thames Water	966	478	-5
Thorn EMI	753	804	-8
Tomkins	5,400	247	+3
Trafalgar House	6,800	81	-3
Unigate	547	284	-4
Unilever	1,600	1062	+3
United Biscuits	414	337	-10
Utd. Newspapers	1,100	499	-4
Vodafone	2,100	408	-4
Warburg (SG)	533	499	-6
Wellcome	1,000	1019	-18
Welsh Water	174	513	-8
Wessex Water	380	563	-5
Whitbread 'A'	728	445	-4
Williams Hldgs.	2,900	310	+4
Willis Corroon	1,400	178	+1
Wimpey	182	99	
Wolseley	415	508	+4
Yorkshire Elect.	203	467	-6
Yorkshire Water	202	608	-10

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Nov 30	Dec 14	Jan 4
Option Declarations:		
Dec 10	Dec 30	Jan 14
Last Dealings:		
Dec 11	Dec 31	Jan 15
Account Day:		
Dec 21	Jan 11	Jan 25

*New time dealings may take place from 8.30am two business days earlier.

Guinness pressure continues

The fall-out from Guinness's round of meetings with analysts on Wednesday continued, a series of downgrades sending the shares once again into retreat. The meetings followed purported remarks by the company's chief executive and chairman-elect that trading conditions would be tougher in 1993 than in 1992.

The meetings, which continued yesterday, clarified Guinness's trading situation and led analysts to cut profit forecasts. Most pulled their figures back by between 6-10 per cent to around £920m for this year. But such is the pessimism regarding earnings growth for the following 12 months that the new 1994 forecasts are not substantially above 1993.

Guinness was said to have pinpointed the problems as chiefly in the Spanish beer market, LVMH, the French luxury products maker in which Guinness has a cross holding, and a higher interest charge caused by sterling's devaluation. After falling 23 on Wednesday, the shares tumbled a further 24 yesterday, closing at 478p. However, some analysts feel they sill have further to go. Mr David Thompson at Kleinwort Benson argued that the shares should be sold down to 450p, and that they will probably fall further still in the short-term.

Tarmac alert

A sudden burst of activity in shares of Tarmac, the building materials/housebuilding group, revived takeover stories, with market rumours suggesting that BTR, the conglomerate, could be about to launch a bid for the troubled building company.

Turnover was boosted by the second half of a bed and breakfast, or tax-related, deal in the stock which accounted for some 4.4m shares in early trade. But heavy demand during the afternoon saw overall turnover in the stock spiral to 15m shares, the heaviest single day's business since mid-September. Tarmac shares settled a net 4 higher at 99p.

Tarmac has been the subject of many takeover stories this year. An offer from Minorco, part of Mr Harry Oppenheimer's worldwide mining empire, was said to have been rebuffed by the UK group. BTR settled a penny harder at 512p on turnover of 3.7m.

TSB sell-off

A substantial profits downgrade by Smith New Court was behind the marked weakness of TSB shares which, after a steady performance for much of the morning, suddenly came under pressure prior to closing a busy session a net 4 off at 139p. Turnover in the stock expanded sharply during the afternoon, eventually reaching 4.7m shares.

Smith New Court's banks analyst Mr Michael Lever chopped his current year profits expectation, already one of the lowest in the market, by half, down from a previous £125m to £62m.

Mr Lever blamed the steep reduction on the ongoing problems at Hill Samuel, the merchant bank bought by TSB in the late-1980's. He said worries about Hill Samuel's Mortgage Express division had been prompted by the recent warning on the mortgage business issued by Abbey National. "Mortgage Express needs more provisioning," said Mr Lever.

Store group hit

A critical note from US-owned broker Goldman Sachs helped hurt Marks and Spencer in a weak stores sector. The shares retreated 9 to 319p. Analyst Mr Paul Deacon argues that the food and stores group will suffer on two fronts, namely from the rapid expansion of the big food retailers and from its low retail recovery potential. Both issues point to several years' underperformance from the shares.

Renewed fears of a price war in the perfume market hit Boots following reports that the high street retailer and chemist had reduced prices of some brands by 25 per cent. However, analysts played down the concerns arguing that the effect on Boots would only be in the region of 1 per cent of profits. The shares, which have had a good run, fell 8 to 519p.

Results from Great Universal Stores, although in line with expectations, proved worrying in parts to some in the market and the shares were marked back. Most criticism was voiced over the low margin growth in the mail order business. The shares fell 35 to 1618p. SG Warburg was said to have been advising clients to take profits.

Sears slipped 2 to 97p. Kleinwort Benson changed from a buy to a hold on the stock which it considers to have overrun.

Initial strength in conglomerate Lonrho gave way to heavy selling, leaving the shares to close 4 lighter at 75p, 10p below the 3-for-10 rights issue price of 85p, as market watchers predicted that take-up of the issue was likely to be very low. Turnover had reached 6m by the close.

The shares moved 4 ahead to 83p in early trading but closer examination of the offer details led to a turnaround in sentiment.

The two-way pull in BP continued yesterday with the shares again the most active on the London market with turnover approaching the 22m-mark. At the close the shares were marginally easier at 221½p as domestic sellers achieved ascendancy over US buyers.

Shell, meanwhile, eased to 548p on good turnover of 7.7m, despite reported switching from BP. There was no let up in the selling pressure on Lasmo. The latter dropped a further 8 to 143p despite a well-received presentation in the US. Enterprise also suffered, falling 10 to 434p. Premier Consolidated, on the other hand, touched 19p prior to closing a net penny ahead at 18¼p after more encouraging drilling news from its operations off the coast of Burma.

The maintained interim dividend announced by Pilkington, the glass specialist, took the market by surprise and saw the shares run up to 89p before settling a net 3 higher at 87p. Turnover reached 16m shares with dealers reporting takeover speculation.

The stunning performance of computer software group Tadpole Technology since the debut on Monday continued another burst of buying, driving the shares up 8 to 142p.

Coach operator National Express made an impressive debut on the market. The offer and sale of nearly 28m shares at 165p was said to have been oversubscribed and the shares closed 6 higher at 171p.

Turnover in Anglo-French paper group Arjo Wiggins Appleton rose to 13m, after UBS Phillips & drew, the company's broker, downgraded current and following year profit expectations.

The shares fell 6 to 145p, after UBS reduced its profits estimate for this year by £25m to £160m, and cut the following year's figure by £32m to £158m.

BZW prompted a burst of strength in Lloyds Bank shares by lifting their current year profits forecast from £665m to £700m. "We think provisions will be marginally lower than we previously expected," said Mr Julian Robins, banks specialist at BZW. The change helped drive Lloyds shares up 5 to 502p on good turnover of 3.2m.

HSBC tumbled 15 more to 471p, with dealers wary of further big falls on the Hong Kong market. Standard Chartered shares were sustained by their impending entry to the prestigious Footsie-100 and settled only a fraction off at 534p. Hambros Bank retreated very late in the session, slipping 11 to 219p as the market reacted nervously to suggestions that a verdict in the long-running dispute between the merchant bank and the state of the late Norwegian shipping magnate Mr Hilmar Reksten will be made next month.

The continued decline in Guinness again undermined Allied Lyons, the stock off 11 at 617p. However, Grand Metropolitan bounced back on hopes that the US recovery would lift trading. The shares rose 7 to 430p.

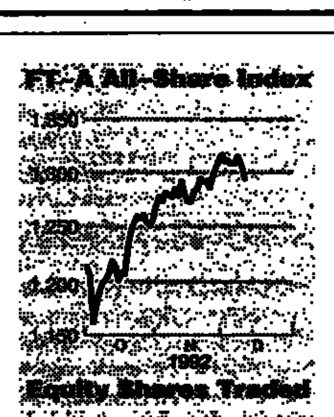
Disappointment at presentations held by Cadbury-Schweppes and United Biscuits was said to have knocked both stocks. The former retreated 9 to 456p and the latter 10 to 337p.

The disposal of the loss-making Sliks swimwear division and concentration on the lingerie business was behind the strong performance of Celestion shares, up 10 to 77p.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Steve Thompson.

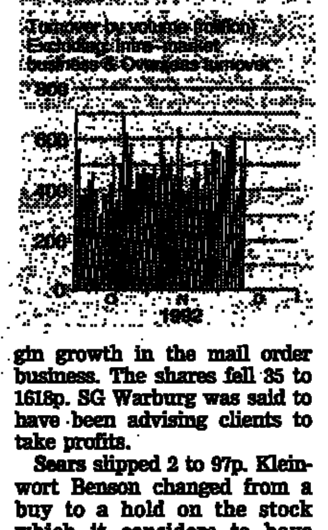
■ Other market statistics, Page 25

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (86).
AMERICANS (8) Amer. Express, Chrysler, Dana, Echlin, Lockheed, Merrill Lynch, Rockwell, Varity, BANKS (1) Mitsubishi, BREWERS (2) Bulmer, Taunton Cider, BLDG MATLS (1) Anglian, BUSINESS SERVS (1) Serco, CHEMS (1) Halstead, CONGLOMERATES (1) Amer Free A, ELECTRICALS (1) Mitsubishi, ELECTRICITY (2) Scot. Hydro, Scot. Power, ELECTRONICS (5) Electrocomps., Farnell, Mieys, Rodime, Tunstall, ENG GEN (1) Barry Wehmiller, FOOD MANUF (2) Nestle (Br), Do (Reg), FOOD RETAILING (3) Iceland, Morrison (Wm), Do 5¼pc Pf., HEALTH & HSEHOLD (2) Astra, Novo Nordisk, HOTELS & LEIS (2) Sleepy Kids, Stakis, INSCE COMPOSITE (1) Travelers, INSCE LIFE (2) Lincoln Natl., Refuge, INV TRUSTS (5) Gartmore Value Zero Pf., Henderson Highland, Majedie, Murray Inc., River & Merc. Amer. Inc., MEDIA (6) Central ITV, EMAP, Metal Bulletin, News Corp., News Intl., Reed, Telegraph Utd. News., MTL & MTL FORMING (1) Johnson Matthey, MISC (1) Airsprung Furn., OTHER FINCL (2) S & U, Do 3½pc Pf., OTHER INDLS (1) Cookson, PACKG, PAPER & PRNTG (1) API, STORES (2) Betterware, Essex Furn., TEXTS (3) Celestion, Stirling, Youghal, TRANSPORT (4) GATX, Graig, Mersey Docks, P & O 5½pc Prfd., WATER (1) Chester, MINES (1) Antofagasta.
NEW LOWS (34).
AMERICANS (1) IBM, BREWERS (1) Guinness, BUSINESS SERVS (3) BET, Corporate Servs., Dart, CHEMS (1) Caird, CONTG & CONSTRCN (2) CRP, Costain, ELECTRICALS (1) Lec, ELECTRONICS (4) Borland, Kewill Systs., Lynx, MTL Instrs., ENG GEN (2) Fife Indmar, Wellman, HOTELS & LEIS (1) Hi-Tec, INV TRUSTS (5) Contl. Assets Wts., English & Caledonian, German Inv. Wts., Glasgow Inc., Indonesia Equity Wts., MEDIA (1) Intl. Business Comms., MISC (3) Dudley Jenkins, Hornby, Pittard Garner, OIL & GAS (1) Gulfstream Res., OTHER FINCL (2) GWD, Baltic, PACKG, PAPER & PRNTG (1) Bagden, PROP (1) Fletcher King, TEXTS (1) Shiloh, TRANSPORT (1) TIP Europe, MINES (2) Blyvoor, Deelkraal.

FINANCIAL TIMES EQUITY INDICES

	Dec 10	Dec 9	Dec 8	Dec 7	Dec 4	Year ago	High	Low
Ordinary share	2084.2	2074.8	2081.2	2084.1	2082.4	1848.6	2149.7	1670.0
Ord. div. yield	4.48	4.45	4.43	4.45	4.45	5.00	5.34	4.24
Earning yld % full	6.15	6.11	6.08	6.11	6.10	7.49	-	-
P/E ratio net	20.81	20.93	21.04	20.85	21.01	16.78	21.21	15.79
P/E ratio nil	19.16	19.27	19.37	19.29	19.34	15.84	-	-
Gold Mines	66.4	67.8	69.4	70.9	71.8	160.3	160.6	63.0

*for 1992 Ordinary share index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2067.3	2074.3	2072.5	2070.8	2065.9	2065.8	2065.5	2065.0	2061.1	2077.0	2060.3

Volume	Dec 10	Dec 9	Dec 8	Dec 7	Dec 4	Year ago
SEAQ Bargains	25,579	24,392	24,306	25,898	25,696	22,819
Equity Turnover(£m)†	-	1278.4	1156.4	879.6	1528.0	1135.4
Equity Bargains†	-	28,106	30,982	28,399	30,466	22,235
Shares traded (mil)†	-	609.8	538.2	378.9	630.6	533.1

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel: 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2726.5 -24.2	2665.6 -6.9	1297.40 -10.39

	Dec 10	Dec 9	Dec 8	Dec 7	Dec 4	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2726.5	2750.7	2769.8	2754.5	2759.4	2423.3	2792.0	2281.0	2792.0 1/12/92	986.9 23/7/84
FT-SE Mid 250	2665.6	2672.5	2682.0	2674.3	2661.2	2357.4	2825.0	2157.8	2825.8 20/5/92	1379.4 21/1/86
FT-SE-A 350	1322.4	1332.4	1340.7	1334.1	1334.6	1174.1	1345.5	1103.1	1345.5 1/12/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2740.6	2746.6	2744.5	2743.3	2737.9	2735.9	2735.9	2733.7	2725.9	2749.2	2725.9
FT-SE Mid 250	2672.8	2672.8	2673.6	2670.2	2666.7	2666.1	2666.4	2666.5	2664.3	2674.8	2663.9
FT-SE-A 350	1328.5	1330.8	1330.1	1329.3	1326.9	1326.0	1326.1	1325.2	1322.0	1332.0	1322.0

Gross dividend yield (ACT at 25%) FT-SE 100: 4.48

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Thursday December 10 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Wed Dec 9 Index No.	Tue Dec 8 Index No.	Mon Dec 7 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (175)	802.53	-0.1	7.07	5.34	18.42	30.03	803.18	806.63	804.64	743.84
2 Building Materials (23)	799.87	+1.1	6.57	6.75	21.45	37.11	791.52	791.15	790.56	894.01
3 Contracting, Construction (26)	646.25	-0.4	4.25	7.67	64.17	37.49	648.72	651.97	652.12	916.91
4 Electricals (9)	2237.73	-1.9	7.51	6.76	17.41	108.10	2280.03	2290.05	2239.85	2365.15
5 Electronics (28)	2177.91	+0.3	7.05	3.96	17.99	51.29	2170.97	2187.77	2181.21	1648.63
6 Engineering-Aerospace (6)	263.98	....	13.42	8.90	9.49	15.92	264.07	268.97	269.17	333.33
7 Engineering-General (43)	466.63	-0.4	8.62	5.05	14.81	16.90	468.52	470.50	470.85	454.40
8 Metals and Metal Forming (7)	296.17	-1.8	5.74	4.35	25.39	8.52	301.72	301.27	301.16	304.06
9 Motors (15)	348.35	-0.5	5.84	6.75	24.98	17.59	350.11	350.77	352.48	284.84
10 Other Industrials (18)	1866.98	-0.2	6.69	4.50	18.07	61.23	1870.81	1878.48	1869.30	1501.72
21 CONSUMER GROUP (192)	1701.42	-1.1	6.86	3.44	18.11	41.31	1719.97	1733.87	1719.98	1546.96
22 Brewers and Distillers (25)	1963.27	-1.3	8.47	3.86	14.30	43.06	1989.74	2035.16	2012.23	1898.62
25 Food Manufacturing (19)	1277.65	-0.7	8.23	4.19	15.17	39.42	1286.17	1288.90	1282.64	1210.33
26 Food Retailing (18)	3148.66	....	8.18	2.99	15.91	70.26	3149.63	3220.54	3187.30	2375.91
27 Health and Household (26)	4341.70	-1.4	5.13	2.61	22.69	87.89	4404.40	4394.24	4362.58	4137.14
29 Hotels and Leisure (18)	1190.94	-1.5	7.02	5.78	18.72	46.03	1208.67	1220.73	1208.74	1193.37
30 Media (26)	1748.36	-0.3	5.78	3.03	21.57	38.77	1753.09	1740.03	1729.25	1382.63
31 Packaging, Paper & Printing (17)	752.27	-1.2	6.94	4.33	17.86	24.33	761.49	764.51	770.73	720.70
34 Stores (33)	1111.40	-1.7	6.56	3.26	20.19	26.44	1130.17	1144.54	1132.67	977.67
35 Textiles (10)	705.82	....	6.74	4.32	18.72	23.43	705.63	703.78	701.81	595.49
40 OTHER GROUPS (115)	1381.36	-0.8	9.04	5.04	13.73	43.52	1392.58	1402.68	1396.72	1171.39
41 Business Services (17)	1393.31	-0.5	6.37	3.65	19.24	34.10	1399.66	1414.83	1410.04	1399.61
42 Chemicals (22)	1383.59	+0.1	6.60	5.30	19.15	54.36	1382.74	1377.42	1376.16	1351.39
43 Conglomerates (10)	1335.93	-1.7	9.79	8.87	12.66	40.93	1359.45	1360.65	1350.00	1261.74
44 Transport (13)	2616.84	-0.6	8.67	4.55	13.81	88.31	2633.80	2657.01	2648.68	2234.42
45 Electricity (16)	1512.95	-0.4	14.14	4.97	9.09	55.01	1519.48	1525.90	1520.15	1205.80
46 Telephone Networks (4)	1615.17	-0.5	8.26	4.23	15.75	48.48	1623.99	1653.95	1652.33	1384.72
47 Water (11)	3162.63	-1.0	14.39	5.59	7.68	95.06	3195.02	3210.55	3192.21	2256.34
48 Miscellaneous (22)	2405.23	-1.8	5.90	4.21	20.93	60.58	2448.67	2456.72	2430.30	1714.58
49 INDUSTRIAL GROUP (482)	1374.22	-0.8	7.62	4.29	16.42	39.71	1385.59	1395.53	1387.38	1225.40
51 Oil & Gas (18)	2100.74	-0.5	6.35	6.17	20.68	103.27	2111.13	2116.82	2133.54	2168.97
59 500 SHARE INDEX (500)	1443.89	-0.8	7.49	4.48	16.77	44.69	1455.36	1465.14	1458.60	1308.56
61 FINANCIAL GROUP (82)	836.28	-0.4	-	5.25	-	32.17	839.50	841.13	834.34	703.00
62 Banks (9)	1141.19	-0.7	5.39	4.88	27.81	40.52	1148.78	1145.74	1131.96	815.33
65 Insurance (Life) (6)	1725.34	-0.9	-	5.27	-	68.18	1741.41	1738.16	1723.54	1388.45
66 Insurance (Composite) (7)	611.97	+0.7	-	4.92	-	22.58	607.67	616.29	614.36	503.52
67 Insurance (Brokers) (10)	706.06	+0.7	8.81	7.56	15.25	47.71	701.38	703.03	707.09	988.61
68 Merchant Banks (6)	463.82	-1.4	-	4.93	-	16.75	470.21	475.50	474.10	452.16
69 Property (30)	603.85	+0.2	8.99	6.97	14.59	28.61	602.82	610.83	610.77	822.85
70 Other Financial (14)	273.54	+0.3	7.33	6.13	17.96	10.81	272.85	272.73	272.09	229.31
71 Investment Trusts (69)	1264.67	-0.2	-	3.43	-	31.02	1267.39	1268.75	1272.02	1140.99
99 ALL-SHARE INDEX (651)	1297.40	-0.7	-	4.56	-	41.18	1306.79	1314.54	1308.27	1164.10

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
Constrcn	1283.5	1283.8	1285.5	1283.4	1282.3	1280.0	1279.2	1278.0	1278.6	1280.0	1285.6	-5.6
Health & H	1327.7	1329.4	1326.9	1328.3	1325.7	1323.5	1323.4	1319.7	1314.0	1313.7	1333.3	-19.6
Water	1315.8	1313.3	1312.6	1308.4	1303.4	1307.4	1307.8	1308.5	1308.8	1308.1	1321.1	-13.0
Banks	1384.6	1392.8	1391.1	1392.0	1392.4	1393.5	1394.3	1394.7	1387.2	1386.1	1395.4	-9.3

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 Indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
Treas 8¼pc 1993	[illegible]	—	[illegible]	[illegible]	8.23	[illegible]
10pc 1993	[illegible]	—	[illegible]	[illegible]	9.89	[illegible]
12½pc 1993‡‡	[illegible]	—	[illegible]	[illegible]	12.09	[illegible]
Funding 6pc 1993‡‡	[illegible]	[illegible]	[illegible]	[illegible]	6.02	[illegible]
Treas 13¼pc 1993‡‡	[illegible]	—	[illegible]	[illegible]	12.61	[illegible]
8¾pc 1994	[illegible]	—	[illegible]	[illegible]	8.34	[illegible]
14½pc 1994‡‡	[illegible]	—	[illegible]	[illegible]	13.31	[illegible]
Exch 13½pc 1994	[illegible]	—	[illegible]	[illegible]	12.43	[illegible]
Treas. 10pc Ln. 1994‡‡	[illegible]	—	[illegible]	[illegible]	9.56	[illegible]
Exch 12½pc 1994	[illegible]	—	[illegible]	[illegible]	11.61	[illegible]
Treas 9pc 1994‡‡	[illegible]	—	[illegible]	[illegible]	8.80	[illegible]
12pc 1995	[illegible]	—	[illegible]	[illegible]	10.97	[illegible]
Exch 3pc Gas 90-95	[illegible]	—	[illegible]	[illegible]	3.18	[illegible]
10¼pc 1995	[illegible]	—	[illegible]	[illegible]	9.55	[illegible]
Treas 12¾pc 1995‡‡	[illegible]	[illegible]	[illegible]	[illegible]	11.14	[illegible]
14pc 1996	[illegible]	[illegible]	[illegible]	[illegible]	11.90	[illegible]
9pc 1992-96‡‡	[illegible]	[illegible]	[illegible]	[illegible]	8.67	[illegible]
15¼pc 1996‡‡	[illegible]	[illegible]	[illegible]	[illegible]	12.43	[illegible]
Exch 13¼pc 1996‡‡	[illegible]	[illegible]	[illegible]	[illegible]	11.32	[illegible]
Conversion 10pc 1996	[illegible]	[illegible]	[illegible]	[illegible]	9.20	[illegible]
Treas 13¼pc 1997‡‡	[illegible]	[illegible]	[illegible]	[illegible]	11.09	[illegible]
Exch 10½pc 1997	[illegible]	[illegible]	[illegible]	[illegible]	9.50	[illegible]
Treas 8¾pc 1997‡‡	[illegible]	[illegible]	[illegible]	[illegible]	8.32	[illegible]
8¾pc '97 ‡‡(£50 pd)	63	[illegible]	[illegible]	60	8.33	[illegible]
Five to Fifteen Years						
Exch 15pc 1997	[illegible]	[illegible]	[illegible]	[illegible]	11.66	7.87
9¾pc 1998	[illegible]	[illegible]	[illegible]	[illegible]	8.97	7.84
Treas 7¼pc 1998 (£25 pd)	[illegible]	[illegible]	[illegible]	[illegible]	7.38	7.42
Treas 6¾pc 1995-98‡‡	[illegible]	[illegible]	[illegible]	[illegible]	6.97	7.47
15½pc '98‡‡	[illegible]	[illegible]	[illegible]	[illegible]	11.56	8.04
Exch 12pc 1998	[illegible]	[illegible]	[illegible]	[illegible]	10.12	8.04
Treas 9½pc 1999‡‡	[illegible]	[illegible]	[illegible]	[illegible]	8.77	7.78
Exch 12¼pc 1999	[illegible]	[illegible]	[illegible]	[illegible]	10.20	8.12
Treas 10½pc 1999	[illegible]	[illegible]	[illegible]	[illegible]	9.38	7.91
Conversion 10¼pc 1999	[illegible]	[illegible]	[illegible]	[illegible]	9.13	7.92
9pc 2000‡‡	[illegible]	[illegible]	[illegible]	[illegible]	8.60	7.93
Treas 13pc 2000	[illegible]	[illegible]	[illegible]	[illegible]	10.25	8.39
10pc 2001	[illegible]	[illegible]	[illegible]	[illegible]	9.06	8.28

BRITISH FUNDS - Cont.

[illegible]

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

FUTURES AND OPTIONS TRADING

DISAPPOINTMENT that there would be no cut in UK or German interest rates led to heavy selling in stock index futures, writes Joel Kibazo.

The first trade in the December contract on the FT-SE was struck at 2,761 and good buying, particularly from independent traders, saw the contract rise to 2,768 within the first hour of business. This proved to be the session's high, for a period of light profit-taking followed, sending December gently lower.

The announcement of unchanged interest rates from the Bundesbank over the lunchtime period led to a heavy bout of selling, which saw the contract fall to 2,755, and pulled the cash market lower.

The poor opening on Wall Street led to a further selling as did comments from the UK chancellor of the exchequer that there would be no early cuts in interest rates.

December closed at 2,730, down 33 on the previous session and just ahead of its fair value premium to cash of around 4. Turnover at 11,371 contracts was particularly heavy. Traders attributed the high volume to increased rolling of positions in to the March contract. It saw business of around 5,000 lots, up from 1,834 on Tuesday.

The volume in traded options also saw an improvement on Tuesday's poor level. It reached 26,294 lots, with the the FT-SE 100 option trading 13,402 contracts.

EUROPEAN COAL AND STEEL COMMUNITY

US $ 50,000,000 Graduated Rate Bonds due 1999

The Commission of the European Communities informs herewith the holders of the above mentioned issue that the annual redemption instalment due January 15, 1993 covering a nominal amount of US $ 1,500,000 has been entirely satisfied by drawing by lot.

The Bonds so drawn bear the numbers 22302 to 23801, these numbers inclusive.

The bonds are redeemable at par and cease to bear interest on January 15, 1993.

The bonds selected by lot will be reimbursed at/or after January 15, 1993 with coupons on January 15, 1993 and following attached in accordance with the terms of payment mentioned on the bonds.

The principal amount of bonds outstanding after the amortization of January 15, 1993 will be US $ 36,500,000.

Luxembourg, December 11, 1992

LONDON SHARE SERVICE

AMERICANS

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's

BUILDING MATERIALS - Cont.

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Tarmac	□	89	+4	161	51	721.3	7.4
Tilbs		145	—	170	85	16.3	3.5
Travis Perkins	□	148	-3	228	105	160.7	7.2
Tudor		28	—	38	28	3.06	‡
Unigroup	□	11	—	24	8½	3.22	-
Waterhouse		30	—	43	23	0.76	‡
Wickes	□	71½	-1	*104	53	218.8	-
Wolseley	$□	506	+4	518	287	1,202	3.4

BUSINESS SERVICES

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

	Notes	Price	+ or –	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)		31	—	34	28	57.9	–	Φ
Berlage 6pc Cn 2nd Prf.		94½	-1½	101	89½	11.8	11.3	–
9¾pc Non-Cum Prf		112¼	-½	125	103¼	48.1	11.5	–
Close Bros		249	-4	287	205	95.9	5.1	11.1
Hambros		219	-11	282	202	379.5	8.4	9.7
7½pc Cv Pf		106½	-3½	119	91½	189.5	9.4	–
Joseph (L)		395	—	333	308	18.2	6.9	–
Kleinwort Benson		291	-4	334	212	389.8	7.3	25.5
Rea Bros		36	—	37	25	14.1	1.9	–
Schroders		1285	—	1365	1043	681.8	1.8	15.1
N/V		1098	—	1159	883	144.1	2.2	12.8
Singer & Fried		45	—	58	34	88.8	7.2	10.1
Warburg (SG)		460	-6	605	403	1,043	4.8	14.8
6pc Cv Pf		179½	—	204	137	79.9	4.5	–
Welrost		198	—	283	168	18.1	8.5	7.3

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion.

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0646, quoting the code FT2196. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

FT Cityline

Real time share prices and other stock market information is available through the FT Cityline international telephone service.
Annual subscription £250.00 stg.
Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's

Sharp (Albert E.) & Co (1000)F
Admin: 5, Rayleigh Rd Hutton, Brentwood Essex
Enquiries: 0277 227300 Dealing: 0277 261010

Intl Bond & Conv	5	117.00	117.30	123.50	+0.10	5.60
Pooled Pension 6	7	140.7	145.3	150.4	–	–
Smaller Cos	5	51.64	53.44	56.25	–	2.67
UK General	5	111.40	113.10	119.00	-0.70	3.53

Sheppards Unit Trust Mngmt Ltd (1200)F
1 White Hart Yard, London Bridge SE1 071 407 5966

Income	5	359.50	359.53	381.10	-1.24	5.42
Global Inc	3	51.45	51.45	54.54	+0.17	4.46
Brit Leaders	5	304.19	304.19	322.44	-2.67	3.16
Intl Leaders	5	166.23	166.23	176.20	+0.97	1.86
P.An Mon Bd Gth Acc 9	3½	48.23	49.44	51.57	+0.30	3.31
P.An Mon Bd Gth Inc 9	3½	48.23	49.44	51.57	+0.30	3.31

Singer & Friedlander UT Mgmt Ltd (1000)F
PO Box 224, Beckenham, BR3 4TF 081-663 3003

European Trust	6	46.90	46.90	49.88	+0.60	1.57
Far Eastern Tst	6	50.49	51.12	54.38	+0.43	0.90
Smaller Cos	5	114.9	114.9	122.2	-4.8	3.01

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS 071-637 5377

S & W American 6	5	261.8	262.3xd	277.5	+8.4	0.91
S & W Capital	5	106.1	106.1	113.7	+0.6	1.94
S & W Cash 6	0	101.47	101.47	101.47	+0.01	6.77
S & W European	5	103.8	104.0	110.0	+1.4	1.22
S & W Far Eastern	5	104.3	105.3	111.4	+2.6	0.00
S & W Growth	5	113.6	115.1xd	121.7	+0.6	1.49
S & W Income	5	99.17	100.5	106.4	-0.3	5.52
S & W Magnum	5	112.0	112.0	120.2	+0.6	1.81
S & W Smllr Secs	5	251.8	257.4xd	272.3	+1.5	0.71
S & W Throgmorton	5	129.2	129.2xd	138.6	+0.7	1.86

Societe Generale Touche Remnant (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250
4 Hourly Pricing—12 Noon Historic

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OTHER UK UNIT TRUSTS

[illegible]

INSURANCES

[illegible]

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group – Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Life

Equitable Life (International)

Eurolife Assurance Group

Finance International Ltd

Hafela Prolific International

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

PanEuroLife societe anonyme

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Bois Clarkson Asset Management

C F S Financial Mngmt

Capital Trust Financial Management

Clews de Vere PLC

ECU Terminrest Plc

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

EPS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Knight Williams & Company Ltd

Macartney & Dewis Invest Mngt Plc

Northam Binge & Partners

Pendleton May Financial Services Ltd

Rosborough Financial Management Ltd

Charles Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

J. B. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

GBC Asset Management

GUERNSEY (SIB RECOGNISED)

AIB Govett Inv Managers (Guernsey) Ltd

Adams & Neville Fd Mngmt (Guernsey) Ltd

Baring Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Managers (Channel Islands) Ltd

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

Schroder Investment Management (Guernsey) Ltd

GUERNSEY (REGULATED)

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Quilter International Management Ltd

Rothschild Asset Mngmt (CI) Ltd

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Seafell Wolff Capital Management Ltd

Yamaichi Capital Mangmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd

Hafela Prolific International

Morgan Grenfell Investment Funds Ltd

Swiss Life Investment Fund Ltd

IRELAND (REGULATED)

Bank of Ireland Unit Managers Ltd

Baring International Fd Mngrs (Ireland) Ltd

Baring Mutual Fund Mngmt (Ireland) Ltd

Federated International Funds Plc

GT Asset Mngmt (Ireland) Ltd

Irish Life International Fd Mngrs Ltd

Morgan Grenfell Fund Mngrs (Ireland) Ltd

Sanwa International (Ireland) Plc

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs

Asset Global Funds Ltd

CMI Fund Managers (IoM)

Carlsons Fund Managers (IoM)

Lombard Joseph Fund Mngrs (IoM) Ltd

Lloyds Bank Fund Managers (IoM) Ltd

Skandia Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)

ATC Fund Management (IoM) Ltd

AXA Equity & Law Intl Fund Mgrs

Mercury Fund Managers (IoM) Ltd

Ashley Financial Advisers Ltd

City Financial Advisers Ltd

Nelson Lawrie Inv. Mgt. Ltd

Sarasin Fund Managers (IoM) Ltd

Intl Growth Fund Mngrs Ltd

FT MANAGED FUNDS SERVICE

For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
[illegible] Global Funds Limited				
[illegible]	£19.92	20.98	----	-
[illegible]	£17.91	18.87	----	-
High Income Gilt	£25.88	26.83	----	-
International Equity	£20.13	21.20	----	-
International Bond	£22.07	22.88	----	-
Managed Currency	£27.45	27.74	----	-
Sterling Currency	£26.44	26.72	----	-
US$ Currency	$37.79	38.14	----	-
[illegible] £ Currency	[illegible]	15.34	----	-
R & H Fund Managers Ltd				
LFM Sterling Fd.	£11.02	11.49	----	-
B.F. Offshore Inc Fd Ltd.	£11.52	12.14	----	-
Target International (Isle of Man) Ltd				
[illegible] Offshore Fd.	£9.05	9.79	----	-
[illegible]	£9.41	9.71	----	-

JERSEY (SIB RECOGNISED)

	Init Chrg.	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633
AIB Currency Funds Ltd						
Intl Managed Bond	5		15-20.9640	20.9646	----	-
Managed Capital Gd	5		15-21.1297	21.1964	----	-
AIB Managed Currency Fund Limited						
Stlg Mngd Currency	5		£-	10.9703	----	-
Sterling Currency Fd	5		£-	10.5486	----	-
Ecu Currency	5		Ecu-	10.6723	----	-
US Dollar Mngd Curr.	5		$-	21.5465	----	-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI						0534 67888
Australian Eq (Inc)	5¼	0.871	0.877	0.938	[illegible]	1.0
Global Income (Inc)	5¼	0.495	0.501	0.536	[illegible]	2.4

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)

[illegible]

LUXEMBOURG (REGULATED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Norwegian bank floats krone

NORWAY succumbed to heavy selling by currency speculators yesterday and effectively devalued the krone. Norway's finance ministry said it was removing the currency from its peg to the Ecu and allowing it to float, *writes Peter John.*

The drama, heightened by early rumours of a coup in Russia and then replaced by tension emanating from a prolonged Bundesbank meeting, was a further blow to the stability of the exchange rate mechanism. The outcome of the Bundesbank meeting, a reaffirmation of existing interest rates, buoyed the D-Mark but ensured that the dollar failed to react to more positive economic news from the US.

Norway's action yesterday morning prompted a sharp rise in the Norwegian stock market but placed immediate pressure on vulnerable currencies within the ERM, the Danish krone and the Irish punt. The French franc was also sold and at least one dealer said the french central bank had been intervening.

The Norwegian central bank said it floated the krone as it expected pressure on it to continue. Mr Leif Eide, the bank's director said; "It became too hard to fight, we saw little chance... of getting out of this, no matter how much currency reserves we used."

The krone has been allowed to swing 2.25 per cent either side of a central rate of NKr7.9940 per Ecu. It fell steeply after the move to close in London at Nkr4.295 against the D-Mark from NKr4.0840 previously.

Afterwards, attention returned to the ERM and especially to the Danish currency which many now see as the prime devaluation candidate.

The Danish currency, which is approaching its ERM floor of DKr3.9012 against the D-Mark, fell but rallied to close virtually unchanged at DKr3.8820.

The punt replaced the franc at the bottom of the ERM floor and fell to DM2.6285 from DM2.6378. The franc drifted further towards its own limit against the D-Mark to reach FFr3.413.

In the afternoon, there was growing tension as the Bundesbank Council meeting was prolonged for an hour, suggesting that some serious change of policy could be announced. The commitment to high interest rates was a dissappointment but the statement that the M3 money supply target for 1993 was to rise to between 4.5 per cent and 6.5 per cent coupled with a switch from a variable repo rate to a fixed rate of 8.75 per cent for the next three weeks steadied nerves.

There was further relief from action by the Dutch and Belgian central banks who cut key interest rates, Holland by 0.25 of a percentage point and Belgium by 10 basis points.

Sterling recovered from a low of of DM2.4419 to end the day a pfennig off at DM2.4550 and slightly stronger against the dollar at $1.5765.

The impact of encouraging employment and producer price statistics helped the dollar recover some earlier weakness to end up against the D-Mark at DM1.5765 althought it was weaker against the Yen at Y123.50.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 10	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	182.194	175.244	-3.81	5.49	63
Spanish Peseta	143.386	140.025	-2.34	3.91	40
Dutch Guilder	2.21958	2.20241	-0.77	2.26	40
Belgian Franc	40.6304	40.3634	-0.66	2.14	33
D-Mark	1.96992	1.95999	-0.50	1.98	35
French Franc	6.60683	6.68866	1.24	0.23	-67
Irish Punt	0.735334	0.745605	1.40	0.07	-62
Danish Krone	7.51410	7.62458	1.47	0.00	-66

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

Dec.10	Latest	Previous Close
£ Spot	1.5545-1.5555	1.5720 1.5730
1 month	0.49-0.48pm	0.50 0.47pm
3 months	1.37-1.34pm	1.36 1.33pm
12 months	4.04-3.96pm	4.14 4.06pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.10	Previous
8.30 am	79.8	80.9
9.00 am	79.9	81.0
10.00 am	79.7	80.5
11.00 am	79.8	80.3
Noon	79.9	80.3
1.00 pm	80.3	80.3
2.00 pm	80.2	80.3
3.00 pm	80.0	80.3
4.00 pm	80.2	80.4

CURRENCY RATES

Dec 10	Bank ‡ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.890282	0.797125
U.S Dollar	3.00	1.39232	1.24128
Canadian $	6.18	1.77214	1.57792
Austrian Sch	8.25	15.4046	13.7907
Belgian Franc	7.75	44.9754	40.3634
Danish Krone	9.50	N/A	7.62458
D-Mark	8.25	2.19095	1.95999
Dutch Guilder	7.75	2.45870	2.20241
French Franc	10	7.47049	6.68866
Italian Lira	13.00	1938.92	1738.50
Japanese Yen	3.25	173.508	153.944
Norway Krone	–	8.93591	8.47672
Spanish Peseta	–	156.394	140.025
Swedish Krona	11.50	9.43923	8.44259
Swiss Franc	6.00	1.96804	1.75269
Greek Drach	19	N/A	258.721
Irish Punt	–	N/A	0.745605

‡ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland.
† European Commission Calculations.
* All SDR rates are for Dec.9

CURRENCY MOVEMENTS

Dec 10	Bank of England Index	Morgan** Guaranty Changes %
Sterling	80.2	-30.14
U.S Dollar	65.0	-12.50
Canadian Dollar	94.5	-7.88
Austrian Schilling	114.4	+15.93
Belgian Franc	116.0	+1.71
Danish Krone	116.1	+9.79
D-Mark	125.3	+31.35
Swiss Franc	113.3	+21.15
Dutch Guilder	119.7	+21.06
French Franc	108.8	-8.03
Lira	86.2	-30.02
Yen	150.5	+86.15
Peseta	99.2	-24.54

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Dec.9

OTHER CURRENCIES

Dec 10	£	$
Argentina	1.5410 - 1.5435	0.9900 - 0.9910
Australia	2.2585 - 2.2605	1.4495 - 1.4505
Brazil	17727.5 - 17755.5	10748.9 - 10749.5
Finland	7.7775 - 7.8405	5.0800 - 5.1000
Greece	319.700 - 326.100	206.270 - 210.390
Hong Kong	12.0265 - 12.0530	7.7400 - 7.7410
Iran	2270.00*	1450.00*
Korea(Sth)	1225.70 - 1245.45	786.40 - 792.60
Kuwait	0.46700 - 0.46800	0.29970 - 0.30000
Luxembourg	50.35 - 50.45	32.35 - 32.45
Malaysia	3.9510 - 3.9595	2.5410 - 2.5420
Mexico	4843.85 - 4846.95	3110.00 - 3112.00
N.Zealand	3.0215 - 3.0260	1.9400 - 1.9430
Saudi Ar.	5.7745 - 5.8885	3.7495 - 3.7505
Singapore	2.5465 - 2.5535	1.6380 - 1.6390
S.Af (Cm)	4.6695 - 4.6820	3.0075 - 3.0095
S.Af (Fn)	7.2780 - 7.3820	4.6730 - 4.7395
Taiwan	39.40 - 39.65	25.35 - 25.45
U.A.E.	5.6540 - 5.7675	3.6715 - 3.6735

*Floating rate. Iran Official rate:£99.70 $66.20

POUND SPOT - FORWARD AGAINST THE POUND

Dec 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5435 - 1.5660	1.5565 - 1.5575	0.48-0.46cpm	3.62	1.33-1.30pm	3.38
Canada	1.9660 - 1.9965	1.9830 - 1.9840	0.10-0.23cdis	-1.00	0.21-0.41dis	-0.63
Netherlands	2.7425 - 2.7715	2.7550 - 2.7650	¼-½cdis	-1.63	1-1¼dis	-1.63
Belgium	50.30 - 50.90	50.35 - 50.45	4-8cdis	-1.43	17-23dis	-1.59
Denmark	9.4690 - 9.6000	9.5250 - 9.5350	12½-20½oredis	-20.70	25½-33½dis	-12.41
Ireland	0.9275 - 0.9345	0.9335 - 0.9345	2.00-1.30cpm	21.20	3.45-2.00pm	11.67
Germany	2.4430 - 2.4670	2.4525 - 2.4575	¼-¾pfdis	-2.14	1-1¼dis	-1.83
Portugal	217.70 - 220.95	218.90 - 219.50	257-337cdis	-16.26	539-745dis	-11.72
Spain	174.40 - 176.05	174.95 - 175.25	131-141cdis	-9.32	363-380dis	-8.49
Italy	2170.70 - 2190.40	2176.25 - 2177.25	11-14liredis	-6.89	35-39dis	-6.80
Norway	10.0130 - 10.6130	10.5400 - 10.5500	2½-6½oredis	-4.84	2½-10½dis	-2.37
France	8.3270 - 8.4180	8.3750 - 8.3850	2½-3cdis	-3.94	7¼-8¼dis	-3.70
Sweden	10.5250 - 10.6310	10.5250 - 10.5350	4½-4¾oredis	-5.06	10½-10⅞dis	-4.01
Japan	191.80 - 194.75	191.75 - 192.75	⅝-½ypm	3.51	1½-1¼pm	3.38
Austria	17.18 - 17.36	17.24 - 17.27	2-2⅞grodis	-1.70	5⅞-7⅛dis	-1.55
Switzerland	2.1850 - 2.2115	2.1875 - 2.1975	¼-parcpm	0.68	½-¼pm	0.68
Ecu	1.2465 - 1.2595	1.2510 - 1.2520	0.37-0.42cdis	-3.79	1.09-1.18dis	-3.63

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.41-2.36pm. 12 Month 4.02-3.92pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5435 - 1.5660	1.5565 - 1.5575	0.48-0.46cpm	3.62	1.33-1.30pm	3.38
Ireland†	1.6590 - 1.6765	1.6690 - 1.6700	3.60-2.60cpm	22.28	6.70-4.50pm	13.42
Canada	1.2700 - 1.2740	1.2715 - 1.2725	0.46-0.52cdis	-4.62	1.23-1.33dis	-4.03
Netherlands	1.7580 - 1.7800	1.7715 - 1.7725	0.78-0.82cdis	-5.42	2.28-2.34dis	-5.21
Belgium	32.35 - 32.60	32.35 - 32.45	13.70-14.70cdis	-5.26	40.00-43.00dis	-5.12
Denmark	6.0950 - 6.1555	6.1175 - 6.1225	N/A	N/A	N/A	N/A
Germany	1.5650 - 1.5850	1.5760 - 1.5770	0.73-0.74pfdis	-5.59	2.13-2.15dis	-5.43
Portugal	140.60 - 141.70	140.60 - 140.70	200-240cdis	-18.77	470-570dis	-14.79
Spain	112.10 - 113.25	112.35 - 112.45	115-135cdis	-13.35	320-370dis	-12.28
Italy	1392.50 - 1407.50	1397.75 - 1398.25	11.30-12.80liredis	-10.34	34.50-37.00dis	-10.23
Norway	6.4235 - 6.8380	6.7700 - 6.7750	N/A	N/A	N/A	N/A
France	5.3425 - 5.4095	5.3800 - 5.3850	3.35-3.65cdis	-7.80	9.65-10.05dis	-7.32
Sweden	6.7450 - 6.8310	6.7600 - 6.7650	4.25-5.50oredis	-8.65	12.00-13.50dis	-7.54
Japan	123.30 - 124.45	123.45 - 123.55	par-0.01ydis	-0.05	0.01-0.02dis	-0.05
Austria	11.0650 - 11.1375	11.0650 - 11.0700	4.75-5.15grodis	-5.37	13.50-14.60dis	-5.08
Switzerland	1.3970 - 1.4180	1.4080 - 1.4090	0.32-0.34cdis	-2.81	0.96-1.00dis	-2.78
Ecu	1.2355 - 1.2460	1.2450 - 1.2460	0.79-0.77cpm	7.52	2.18-2.13pm	6.92

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Dec 10	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	7¼ - 6⅞	7⅛ - 6⅞	7⅛ - 7⅛	7⅛ - 7⅛	7 - 6⅞	6⅞ - 6¾
US Dollar	3⅜ - 3¼	3½ - 2⅞	3⅜ - 3⅜	3⅝ - 3½	3⅞ - 3¾	4⅛ - 3⅞
Can. Dollar	8⅝ - 8⅜	8⅝ - 8⅜	8⅛ - 7⅞	7⅞ - 7½	7⅞ - 7⅝	7⅝ - 7
Dutch Guilder	8⅞ - 8¾	8⅞ - 8¾	8⅞ - 8⅞	8⅞ - 8⅝	8⅝ - 8⅜	7⅞ - 7⅝
Swiss Franc	5⅛ - 5	5⅝ - 5½	6⅝ - 6⅝	6⅝ - 6½	6⅜ - 6	5⅞ - 5⅞
D-Mark	9 - 8⅞	9 - 8⅞	9⅛ - 9	9⅛ - 8⅞	8⅞ - 8⅝	8 - 7⅞
French Franc	10 - 9⅞	10⅛ - 10	11⅛ - 10⅞	11⅛ - 10⅞	10⅛ - 10	9⅞ - 9⅝
Italian Lira	13½ - 11½	13⅛ - 12⅛	14 - 13½	14 - 13½	14 - 13½	13⅞ - 13⅞
Belgian Franc	9 - 8⅞	9 - 8⅞	9 - 8⅞	8⅞ - 8⅝	8⅞ - 8⅝	7⅞ - 7⅞
Yen	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅞	3⅞ - 3⅜	3⅞ - 3⅜	3⅞ - 3⅜
Danish Krone	17 - 12	20 - 15	20 - 15	15½ - 12½	13 - 11	12 - 10
Asian $Sing	⅝ - ½	1 - ⅞	1⅞ - 1⅞	2⅛ - 2	2⅜ - 2⅛	2⅜ - 2⅛
Spanish Peseta	15¼ - 15¼	15⅞ - 15¼	16 - 15⅞	15⅞ - 15¼	15⅞ - 14⅞	14⅞ - 14¼
Portuguese Esc.	21 - 16	30 - 24	23⅛ - 21⅞	19⅛ - 17	17⅞ - 16⅛	16⅞ - 15¼

Long term Eurodollars: two years 4⅜-4⅛ per cent; three years 5⅛-5⅛ per cent; four years 5-5⅞ per cent; five years 6⅛-6⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec.10	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.557	2.455	192.3	8.380	2.193	2.760	2177.	1.984	50.40	175.1	1.252
$	0.642	1	1.577	123.5	5.382	1.408	1.773	1398	1.274	32.37	112.5	0.804
DM	0.407	0.634	1	78.33	3.413	0.893	1.124	886.8	0.808	20.53	71.32	0.510
YEN	5.200	8.097	12.77	1000.	43.58	11.40	14.35	11321	10.32	262.1	910.6	6.511
F Fr.	1.193	1.858	2.930	229.5	10.	2.617	3.294	2598	2.368	60.14	208.9	1.494
S Fr.	0.456	0.710	1.119	87.69	3.821	1	1.259	992.7	0.905	22.98	79.84	0.571
N Fl.	0.362	0.564	0.889	69.67	3.036	0.795	1	788.8	0.719	18.26	63.44	0.454
Lira	0.459	0.715	1.128	88.33	3.849	1.007	1.268	1000.	0.911	23.15	80.43	0.575
C $	0.504	0.785	1.237	96.93	4.224	1.105	1.391	1097	1	25.40	88.26	0.631
B Fr.	1.984	3.089	4.871	381.5	16.63	4.351	5.476	4319	3.937	100.	347.4	2.484
Pta	0.571	0.889	1.402	109.8	4.786	1.252	1.576	1243	1.133	28.78	100.	0.715
Ecu	0.799	1.244	1.961	153.6	6.693	1.752	2.204	1739	1.585	40.26	139.9	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
96	3-51	6-00	0-29	0-36
97	2-62	5-13	0-40	0-49
98	2-21	4-30	0-63	1-02
99	1-46	3-51	1-24	1-23
100	1-15	3-11	1-57	1-47
101	0-54	2-40	2-32	2-12
102	0-36	2-09	3-14	2-45
103	0-23	1-46	4-01	3-18

Estimated volume total, Calls 650 Puts 397
Previous day's open int. Calls 10310 Puts 11905

LIFFE EUROMARK OPTIONS DM1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9025	0.79	1.70	0	0.01
9050	0.54	1.46	0	0.02
9075	0.30	1.23	0.01	0.04
9100	0.07	1.01	0.03	0.07
9125	0.02	0.79	0.23	0.10
9150	0.01	0.60	0.47	0.16
9175	0	0.44	0.71	0.25
9200	0	0.32	0.96	0.38

Estimated volume total, Calls 9078 Puts 2562
Previous day's open int. Calls 194924 Puts 124950

LIFFE EURO SWISS FRANC OPTIONS SFr 1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9325	0.37	1.09	0.01	0.07
9350	0.13	0.88	0.02	0.11
9375	0.02	0.68	0.16	0.16

Estimated volume total, Calls 100 Puts 0
Previous day's open int. Calls 1701 Puts 7599

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
101	3-43	3-24	0-27	1-22
102	2-58	2-50	0-42	1-48
103	2-12	2-16	0-60	2-14
104	1-38	1-61	1-22	2-49
105	1-08	1-26	1-56	3-24
106	0-48	1-06	2-32	4-04
107	0-30	0-53	3-14	4-51
108	0-19	0-39	4-03	5-37

Estimated volume total, Calls 100 Puts 0
Previous day's open int. Calls 168 Puts 0

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9200	2.45	3.29	0.90	1.19
9250	2.10	2.98	1.05	1.38
9300	1.78	2.68	1.23	1.58
9350	1.50	2.41	1.45	1.81
9400	1.24	2.15	1.69	2.05
9450	1.01	1.91	1.96	2.31
9500	0.80	1.69	2.25	2.59
9550	0.63	1.49	2.58	2.89

Estimated volume total, Calls 330 Puts 23
Previous day's open int. Calls 4570 Puts 2330

LIFFE BUND FUTURES OPTIONS DM250,000 points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8950	2.04	2.12	0.09	0.27
9000	1.61	1.74	0.16	0.39
9050	1.21	1.40	0.26	0.55
9100	0.86	1.11	0.41	0.76
9150	0.57	0.85	0.62	1.00
9200	0.38	0.64	0.93	1.29
9250	0.23	0.46	1.28	1.61
9300	0.15	0.35	1.70	2.00

Estimated volume total, Calls 1756 Puts 770
Previous day's open int. Calls 43898 Puts 39839

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9200	0.83	1.48	0	0.04
9225	0.58	1.26	0	0.07
9250	0.34	1.04	0.01	0.10
9275	0.13	0.82	0.05	0.13
9300	0.03	0.62	0.20	0.18
9325	0.01	0.45	0.43	0.26
9350	0	0.32	0.67	0.38
9375	0	0.23	0.92	0.54

Estimated volume total, Calls 4102 Puts 2052
Previous day's open int. Calls 185103 Puts 159171

LONDON (LIFFE)

9% NOTIONAL BRITISH GILT * £50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	100-02	100-23	100-13	100-18
Mar	99-11	100-04	99-06	99-29

Estimated volume 19808 (24793)
Previous day's open int. 55785 (55677)

US TREASURY BONDS 8% * $100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	105-12	105-12	105-04	105-06
Mar	104-08	104-08	104-00	104-02

Estimated volume 44 (372)
Previous day's open int. 817 (783)

6% NOTIONAL GERMAN GOVT. BOND * DM250,000 100ths of 100%

	Close	High	Low	Prev.
Mar	91.45	91.74	91.38	91.65
Jun	91.35			91.55

Estimated volume 42170 (22522)
Previous day's open int. 125659 (127173)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Mar	107.86	107.92	107.84
Jun	107.30		

Estimated volume 522 (225)
Traded exclusively on APT

12% NOTIONAL ITALIAN GOVT. BOND (BTP) * LIRA 200m 100ths of 100%

	Close	High	Low	Prev.
Mar	93.55	93.87	93.30	93.36
Jun	94.10			93.91

Estimated volume 4130 (4159)
Previous day's open int. 20110 (20403)

THREE MONTH STERLING * £500,000 points of 100%

	Close	High	Low	Prev.
Dec	92.83	92.87	92.81	92.85
Mar	93.44	93.55	93.39	93.49
Jun	93.57	93.62	93.52	93.55
Sep	93.45	93.50	93.39	93.42
Dec	93.12	93.13	93.06	93.08
Mar	92.70	92.70	92.66	92.67

Est. Vol. (inc. figs. not shown) 36879 (35005)
Previous day's open int. 245098 (244372)

THREE MONTH EURODOLLAR * $1m points of 100%

	Close	High	Low	Prev.
Dec	96.36	96.37	96.34	96.34
Mar	96.27	96.30	96.28	96.30
Jun	95.83	95.85	95.84	95.86
Sep	95.34			95.40

Est. Vol. (inc. figs. not shown) 1945 (2509)
Previous day's open int. 28911 (29567)

THREE MONTH EUROMARK * DM 1m points of 100%

	Close	High	Low	Prev.
Dec	91.04	91.17	91.01	91.14
Mar	91.94	92.19	91.93	92.14
Jun	92.76	92.89	92.73	92.85
Sep	93.13	93.22	93.12	93.19
Dec	93.32	93.37	93.26	93.34
Mar	93.59	93.64	93.52	93.63

Estimated volume 123887 (45360)
Previous day's open int. 434805 (434059)

THREE MONTH ECU ECU 1m points of 100%

	Close	High	Low	Prev.
Dec	89.05	89.24	89.05	89.18
Mar	90.77	91.02	90.76	90.93
Jun	91.68	91.79	91.69	91.75
Sep	92.07	92.19	92.07	92.13

Estimated volume 1627 (1382)
Previous day's open int. 12320 (12750)

THREE MONTH EURO SWISS FRANC SFR 1m points of 100%

	Close	High	Low	Prev.
Dec	93.61	93.68	93.56	93.60
Mar	94.27	94.35	94.18	94.23
Jun	94.70	94.75	94.65	94.64
Sep	94.80	94.80	94.80	94.80

Estimated volume 7498 (2894)
Previous day's open int. 45567 (45804)

THREE MONTH EUROLIRA INT. RATE LIRA 1,000m points of 100%

	Close	High	Low	Prev.
Dec	86.03	86.15	85.85	85.80
Mar	86.80	86.95	86.75	86.77
Jun	87.35	87.45	87.30	87.31
Sep	87.75	87.85	87.75	87.75

Estimated volume 2332 (962)
Previous day's open int. 21636 (21732)

FT-SE 100 INDEX * £25 per full index point

	Close	High	Low	Prev.
Dec	2732.5	2768.0	2730.0	2767.0
Mar	2758.5	2796.5	2757.0	2795.0
Jun	2781.5			2816.0

Estimated volume 18423 (9084)
Previous day's open int. 44959 (46253)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5570	1.5523	1.5438	1.5331	1.5173

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	105-12	105-17	105-02	105-11
Mar	104-07	104-12	103-28	104-06
Jun	103-02	103-06	102-23	102-31
Sep	101-26	101-26	101-26	101-26
Dec	100-21	100-25	100-19	100-23
Mar	99-21	99-21	99-21	99-20
Jun	98-24	98-24	98-24	98-21
Sep	97-26			97-26
Dec	97-02	-	-	97-02

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Mar	96.66	96.69	96.64	96.69
Jun	96.34	96.36	96.32	96.37
Sep	96.02	-	-	96.02
Dec	95.54	-	-	95.54

BRITISH POUND (IMM) $s per £

	Latest	High	Low	Prev.
Dec	1.5568	1.5656	1.5470	1.5668
Mar	1.5452	1.5548	1.5304	1.5534
Jun	1.5340	1.5400	1.5330	1.5426

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.7105	0.7155	0.7067	0.7097
Mar	0.7061	0.7105	0.7010	0.7045
Jun	0.7045	0.7045	0.7020	0.7008

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.8080	0.8100	0.8055	0.8061
Mar	0.8087	0.8098	0.8045	0.8061
Jun	0.8068	-	-	0.8068

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.6350	0.6385	0.6288	0.6363
Mar	0.6269	0.6305	0.6225	0.6276
Jun	0.6200	0.6215	0.6175	0.6209
Sep	0.6161	-	-	0.6161

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
Dec	96.37	96.38	96.63	96.35
Mar	96.27	96.30	96.25	96.30
Jun	95.83	95.87	95.78	95.85
Sep	95.34	95.39	95.30	95.38
Dec	94.69	94.74	94.66	94.73
Mar	94.47	94.52	94.45	94.52
Jun	94.11	94.16	94.09	94.16
Sep	93.82	93.88	93.80	93.87

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Dec	434.30	435.70	434.00	435.75
Mar	434.75	436.20	434.40	436.30
Jun	436.95	-	-	436.95
Sep	437.95	-	-	437.95

PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per £1)

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
1.550	1.39	3.45	4.32	-	0.28	2.84	4.05	-
1.575	0.22	2.41	3.19	3.81	1.57	4.32	5.44	-
1.600	-	1.53	2.34	2.89	3.77	5.88	7.05	7.97
1.625	-	0.96	1.65	2.20	6.23	7.73	8.81	9.73
1.650	-	0.55	1.12	1.61	8.62	9.82	10.78	11.64
1.675	-	0.29	0.74	-	11.12	12.00	12.88	13.67
1.700	-	0.14	0.46	0.80	13.67	14.37	15.10	15.81

Previous day's open int: Calls 683,116 Puts 756,382 (All currencies)
Previous day's volume: Calls 15,300 Puts 32,080 (All currencies)

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Sett price	Change	High	Low	† Yield	† Open int.
December	110.36	110.22	-0.16	110.50	110.16	8.40	82,727
March	111.50	111.42	-0.14	111.64	111.34	8.20	158,525
June	111.90	111.82	-0.14	112.02	111.86	8.10	19,957

Estimated volume 127,597 † Total Open Interest 262,407

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

December	89.47	89.13	-0.32	89.48	89.12	10.58	26,810
March	91.18	91.00	-0.14	91.24	90.96	8.80	70,747
June	92.03	91.97	-0.02	92.11	91.90	8.00	31,320
September	92.39	92.35	-0.02	92.45	92.30	7.60	18,669

Estimated volume 48,008 † Total Open Interest 160,412

CAC-40 FUTURES (MATIF) Stock Index

December	1813.0	1780.0	-34.0	1829.0	1779.0	-	23,088
January	1834.0	1795.5	-34.0	1837.5	1796.0	-	4,095
February	1849.0	1812.0	-34.0	1849.0	1849.0	-	450
March	1860.0	1826.0	-34.0	1860.0	1853.0	-	5,247

Estimated volume 13,322 † Total Open Interest 39,148

ECU BOND (MATIF)

December	106.74	106.58	-0.14	106.80	106.52	8.90	5,461

Estimated volume 4,098 † Total Open Interest 13,531

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls January	Calls March	Calls June	Puts January	Puts March	Puts June
109	-	2.75	-	0.03	0.38	0.64
110	-	2.00	-	0.10	0.80	-
111	0.76	1.34	-	-	0.92	-
112	0.26	0.83	1.53	-	1.40	-
113	0.07	0.46	-	-	2.01	-
Open Int	20,687	183,119	24,493	10,315	146,438	16,020

Estimated volume 18,006 † Total Open Interest 401,072
† All Yield & Open interest figures are for the previous day.

BASE LENDING RATES

	%
Adam & Company	7
Allied Trust Bank	7
AIB Bank	7
●Henry Ansbacher	7
B & C Merchant Bank	13
Bank of Baroda	7
Banco Bilbao Vizcaya	7
Bank of Cyprus	7
Bank of Ireland	7
Bank of India	7
Bank of Scotland	7
Barclays Bank	7
Brit Bk of Mid East	7
●Brown Shipley	7
CL Bank Nederland	7
Citibank NA	7
City Merchants Bank	7
Clydesdale Bank	7
Co-operative Bank	7
Coutts & Co	7
Credit Lyonnais	7
Cyprus Popular Bank	7
Duncan Lawrie	7
Equatorial Bank plc	7
Exeter Bank Limited	8
Financial & Gen Bank	8
●Robert Fleming & Co	7
Girobank	7
●Guinness Mahon	7
Habib Bank AG Zurich	7
●Hambros Bank	7
Hampshire Trust Plc	13.5
Heritable & Gen Inv Bk.	7
●Hill Samuel	7
C. Hoare & Co	7
Hongkong & Shanghai	7
Julian Hodge Bank	7
●Leopold Joseph & Sons	7
Lloyds Bank	7
Meghraj Bank Ltd	7
McDonnell Douglas Bk.	7
Midland Bank	7
Mount Banking	7
NatWestminster	7
Northern Bank Ltd	7
Nykredit Mortgage Bnk	7.5
●Rea Brothers	7
Roxburghe Bank Ltd	9
Royal Bk of Scotland	7
●Smith & Williamson Secs.	7
Standard Chartered	7
TSB	7
Unibank plc	7
●United Bk of Kuwait	7
Unity Trust Bank Plc	7
Western Trust	7
Whiteaway Laidlaw	7
Yorkshire Bank	7

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

Tussle on futures

DETAILS of yesterday's hungrily awaited Bundesbank meeting were closely scrutinised by the money markets but failed to provide strong signals on future interest rates.

The "firm rates" camp latched on to hard-line comments by Bundesbank president Mr Helmut Schlesinger who said he saw no room for a cut. Those pinning their hopes on a reduction gleaned comfort from the rise in the German bank's M3 money growth range to between 4.5 and 6.5 per cent for 1993. They suggested it was an increase from a figure already artificially boosted by heavy intervention and consequently a signal that lower rates were on the agenda.

UK clearing bank base lending rate
7 per cent
from November 13, 1992

Short sterling's performance reflected the two opinions. The March contract, which is often seen as the market's view on the way base rates are going, opened at 93.47 and was bought up to 93.55 on optimism surrounding the M3 growth figure. Mere hope was not enough however and March fell back to end the day 4 basis points off at 93.43 with nearly 20,000 contracts traded by the official close. Following volatility last week, March has stabilised around the 93.50 level, signalling a further base rate cut of half a percentage point within the next few months.

The contract for December delivery, which is now driven purely by technical factors, opened at 92.85 closed little changed at 92.86.

Meanwhile, Bank of England operations flowed slightly more easily following the tight money of recent days.

The central bank offered an early round of assistance after forecasting a liquidity shortage of about £800m. Among the main factors affecting the position were the take-up of treasury bills and paper maturing in official hands, expected to drain £602m, bankers' balances below target which would remove £140m, and a rise in note circulation siphoning a further £190m.

Partly offsetting these were exchequer transactions adding £155m to the market.

Most of the offer was taken up and the Bank provided the money market with £559m of early assistance, buying £125m of band one bank bills at 6¾ per cent and £434m of bills for resale to the market on January 5 at 6⅞ per cent.

The Bank did not provide any assistance at midday or in the afternoon but it later revised its liquidity shortage forecast down to £750m and then to £550m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.10) 3 months US dollars		6 months US Dollars	
bid 3½	offer 3⅝	bid 3⅝	offer 3¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

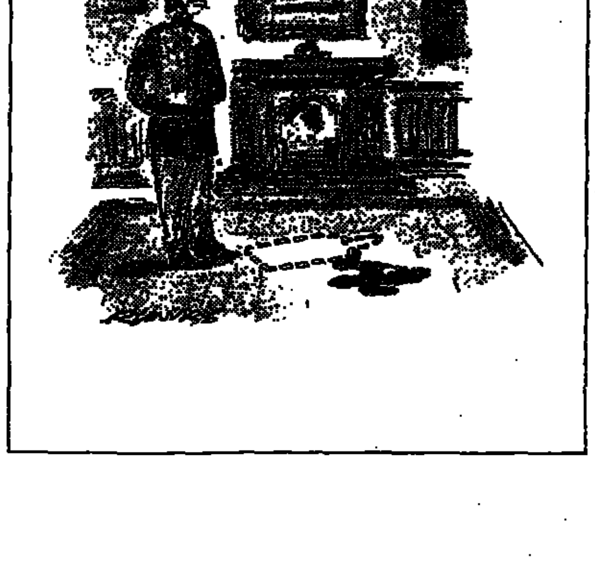
Lunchtime		Treasury Bills and Bonds	
Prime rate	6	One month	3.12
Broker loan rate	5	Two month	3.29
Fed.funds	3¼	Three month	3.31
Fed.funds at intervention.		Six month	3.45
		One year	3.70
		Two year	4.64
		Three year	5.16
		Five year	6.02
		Seven year	6.39
		10-year	6.74
		30-year	7.43

Dec.10	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.90-9.00	8.95-9.15	8.90-9.05	8.85-9.00	8.55-8.65	9.50
Paris	9⅞-10	10⅞-11⅛	-	10⅞-11	-	9.10
Zurich	5⅛-5½	6⅛-6⅜	-	6⅛-6⅜	-	-
Amsterdam	8.68-8.75	8.75-8.90	-	8.68-8.76	-	-
Tokyo	3⅞-3⅞	3⅞-3⅞	-	3⅞-3⅞	-	-
Milan	12⅞-12⅞	13⅛-13⅞	-	13⅛-13⅞	-	-
Brussels	8⅞-9⅛	8⅞-9	-	8⅛-8⅞	-	-
Dublin	20-25	26-28	21-22	18½-19½	15½-16¼	-

LONDON MONEY RATES

Dec 10	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	7⅛	7⅛	7⅛	7⅛	7	6⅞
Interbank Bid	5	6⅞	7⅛	7	6⅞	6⅝
Sterling CDs	–	–	7⅛	7	6⅞	6⅝
Local Authority Deps.	7	7	7⅛	7⅛	6⅞	6⅝
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt Deps	6¾	7	–	–	–	–
Company Deposits	–	–	–	–	–	–
Finance House Deposits	–	–	7⅛	7⅛	7	6⅞
Treasury Bills (Buy)	–	–	6⅞	6⅞	6½	–
Bank Bills (Buy)	–	–	6⅞	6⅞	6⅞	–
Fine Trade Bills (Buy)	–	–	–	–	–	–
Dollar CDs	–	–	3.26	3.26	3.41	3.85
SDR Linked Dep. Offer	–	–	5⅜	5⅜	5⅜	5⅜
SDR Linked Dep. Bid	–	–	5¼	5¼	5¼	5⅜
ECU Linked Dep. Offer	–	–	11¼	10¼	10⅛	9⅞
ECU Linked Dep. Bid	–	–	11	10⅜	9⅞	9⅛

Treasury Bills (sell); one-month 6⅞ per cent; three months 6⅜ per cent; six months 6⅜ per cent; Bank Bills (sell): one-month 6⅞ per cent; three months 6⅞ per cent; Treasury Bills; Average tender rate of discount 6.4035. ECGD Fixed Rate Sterling Export Finance. Make up day November 30, 1992. Agreed rates for period December 26, 1992 to January 25, 1993, Scheme I: 8.71 p.c., Schemes II & III: 8.54 p.c. Reference rate for period October 31, 1992 to November 30, 1992, Scheme IV&V: 7.267 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate B from December 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 4¼ per cent; one-three months 7 per cent; three-six months 6½ per cent; six-nine months 6¼ per cent; nine-twelve months 6 per cent; Under £100,000 4¾ per cent from Oct 20, 1992. Deposits withdrawn for cash 4 per cent.



MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gross CAR	Int Cr
CAF Money Management Co Ltd 48 Pembury Road, Tonbridge TN9 2JD 0732 770114				
Cafcash Deposit Fund	6.63	–	6.80	3 Mth
Deposits Over £1 million	6.73	–	6.90	3 Mth
Deposits Over £2 million	6.83	–	7.01	3 Mth
The CBF Charities Deposit Account 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	7.00	–	7.19	3-Mth
Cent. Bd. of Fin. of Church of England†† 2 Fore Street, London EC2Y 5AQ 071-588 1815				
Deposit	7.15	–	7.34	3-Mth
Gartmore Money Management Ltd 16-18 Monument St, London EC3R 8QQ 071-236 1425 / 071 236 9362				
TESSA Dash				
Call Fnd	6.44	4.83	6.54	6-Mth
7-day Fund	6.48	4.86	6.58	6-Mth
Special Fund	6.47	4.85	6.67	1-Mth
Dollar	1.97	1.47	1.98	3-Mth
TESSA Prime	6.63	–	6.80	3-Mth

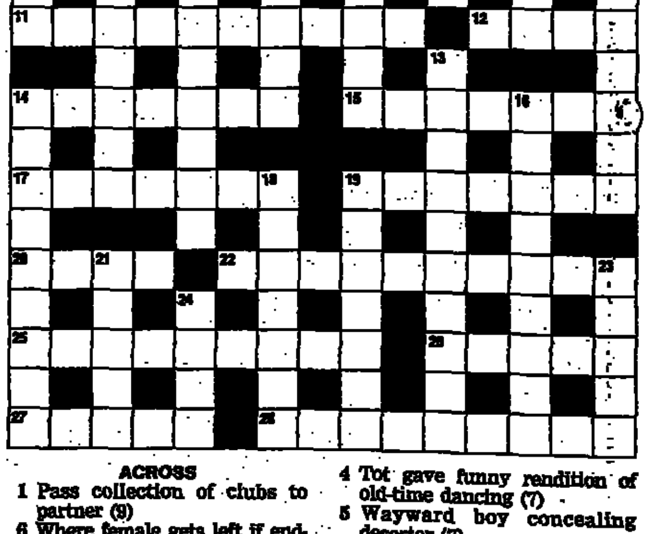
Money Market Bank Accounts

	Gross	Net	Gross CAR	Int Cr
AIB Bank High Interest Cheque Account Belmont Rd, Uxbridge UB8 1SA 0800 282115				
£2,500-£9,999	3.25	2.44	3.29	Qtr
£10,000+	4.70	3.52	4.79	Qtr
Aitken Hume Bank plc 30 City Road, EC1Y 2AY 071-638 6070				
Treasury Acc	5.50	4.125	5.61	Qtr
Mthly Int Chq £1,000-£4,999	5.50	4.125	5.64	Mth
Mthly Int Chq £5,000-£49,999	6.00	4.50	6.17	Mth
Mth Int Chq £50,000+	6.50	4.875	6.70	Mth
Allied Trust Bank Ltd 97-101 Cannon St, London, EC4N 5AD 071-626 0879				
TREMINA (£2,001+)	7.76	5.82	7.76	Yearly
TOMNA (£2,001+)	7.23	5.42	7.23	Yearly
OMNA (£2,001+)	6.91	5.18	6.91	Yearly
HICA (£2,001+)	5.60	4.20	5.75	Mth
Premier TESSA	9.49	7.12	9.49	Yearly
American Express Bank Ltd Sussex House, Burgess Hill RH15 9AQ 0444 232444				
High Performance Cheque Account				
£500-£999	2.00	1.50	2.02	Mth
£1,000-£4,999	5.50	4.13	5.64	Mth
£5,000-£9,999	5.75	4.31	5.90	Mth
£10,000-£24,999	6.00	4.50	6.17	Mth
£25,000-£49,999	6.25	4.69	6.43	Mth
£50,000-£99,999	6.75	5.06	6.96	Mth
Bank of Ireland High Interest Cheque Acc 36-40 High St, Slough SL1 1EL 0753 516516				
£10,000+	5.25	3.94	5.35	Qtr
£2,000-£9,999	5.00	3.75	5.10	Qtr
Bank of Scotland 38 Threadneedle St, EC2P 2EH 071-601 6446				
Mthly Int Chq Acc £2,500-£24,999	5.64	4.23	5.79	Mth
£25,000+	5.88	4.41	6.04	Mth
Bank of Wales – Business Accounts Kingsway, Cardiff CF1 4YB 0222 229922				
Current Account £25,000+	5.00	–	5.09	Qtr
Investment Account £25,000+	5.50	–	5.64	Mth
Barclays Select PO Box 120, Westwood Bs Pk, Coventry 0800 400100				
£2,000-£9,999	5.00	3.75	5.00	Yearly
£10,000-£24,999	5.90	4.43	5.90	Yearly
£25,000-£49,999	6.30	4.73	6.30	Yearly
£50,000+	6.90	5.18	6.90	Yearly
Barclays Prime Account H.I.C.A. PO Box 125, Northampton 0604 252891				
£1,000-£2,499	3.00	2.25	3.03	Qtr
£2,500-£9,999	3.50	2.63	3.55	Qtr
£10,000-£24,999	4.00	3.00	4.06	Qtr
£25,000+	4.60	3.45	4.68	Qtr
Brown Shipley & Co Ltd Founders Court, Lothbury, London EC2 071-606 9833				
HICA	6	4.5	6.14	Qtr
Prof Demand A/c	5.75	4.31	5.87	Qtr
Caledonian Bank Plc 8 St Andrew Square, Edinburgh EH2 2PP 031 556 8235				
HICA	6.5	4.875	–	Yearly
Cater Allen Ltd 25 Birchin Lane, London EC3V 9DJ 071-623 2070				
HICA	5.50	4.13	5.64	Mth
Consort £5,000 min.	6.375	4.78	6.57	Mth
TESSA	6.50	–	6.70	Mth
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH 071-248 4000				
£2,500-£19,999	5.75	4.31	5.90	Mth
£20,000-£49,999	6.00	4.50	6.17	Mth
£50,000-£99,999	6.25	4.69	6.43	Mth
£100,000+	6.50	4.88	6.70	Mth
$5,000-$49,999	1.50	1.13	1.51	Mth
$50,000-$99,999	2.00	1.50	2.02	Mth
$100,000-$199,999	2.25	1.69	2.27	Mth
$200,000+	2.50	1.88	2.53	Mth
Many other currencies are available—for rates please phone ext. 2168				
Clydesdale Bank Flexible Solution Acc 30 St Vincent Place, Glasgow G1 2HL 041 248 7070				
£10,000-£29,999	5.15	3.86	5.25	Qtr
£30,000-£99,999	5.25	3.94	5.35	Qtr
£100,000-£199,999	5.35	4.01	5.46	Qtr
Confederation Bank Limited PO Box 104, Primett Rd, Stevenage 0438 744500				
60 Days Notice Acc £25,000+	7.70	5.775	7.85	6-Mth
H.I.C.A. £25,000+	7.20	5.400	7.44	Yearly
1 Yr Fixed Rate £1,000+	6.50	4.875	6.50	Yearly
5 Yr Fixed Rate £1,000+	7.50	5.625	7.50	Yearly
Co-operative Bank PO Box 300, Skelmersdale, Lancs 0345 252000				
TESSA	7.00	–	–	Yearly
Pathfinder—Card Based Current Account				
All Balances	6.81	5.11	7.05	Mth
Investment 90—90 Day Notice Savings				
£50,000+	6.75	5.06	6.86	6-Mth
£25,000-£49,999	6.25	4.69	6.35	6-Mth
£10,000-£24,999	5.75	4.31	5.83	6-Mth
£5,000-£9,999	4.75	3.56	4.81	6-Mth
Top Tier—Instant Access Savings				
£50,000+	5.50	4.13	5.58	6-Mth
£10,000-£49,999	5.00	3.75	5.06	6-Mth
£5,000-£9,999	4.00	3.00	4.04	6-Mth
£1,000-£4,999	3.00	2.25	3.02	6-Mth
£1-£999	1.50	1.13	1.51	6-Mth
Coutts & Co Reserve Account 15 Lombard St, London EC3V 9AU 071-623 1010				
For personal customers				
£50,000+	5.00	3.75	5.10	Qtr
£20,000-£49,999	4.50	3.375	4.58	Qtr
£5,000-£19,999	4.00	3.00	4.06	Qtr
For businesses, charities and societies				
£100,000-£1,000,000	4.50	3.375	4.58	Qtr
£25,000-£99,999	4.25	3.19	4.32	Qtr
£10,000-£24,999	3.50	2.625	3.55	Qtr
Coutts Committee Account for clients money 27 Bush Lane, London EC4R 0AA 071-623 3434				
Rates negotiable up to	6.625	–	–	–
Dao Heng Bank (London) PLC Premier Acc 8 Newman Street, W1P 3LD 071-631 3313				
£2,500-£10,000	5.50	4.13	5.61	Qtr
£10,001-£20,000	6.00	4.50	6.14	Qtr
£20,000+	6.75	5.06	6.92	Qtr
Savings Account	4.50	3.375	4.58	Qtr
Davenham Tst Plc—Davenham 500 Acc 8 St John St, Manchester M3 4DU 061 832 8484				
£10,000+ 6-Mth	10.00	7.50	–	6-Mth
£10,000+ 1 Year	10.00	7.50	–	Yearly
Fidelity Money Market Account Fidelity Brokerage Services Ltd, Oakhill House, Hildenborough, Kent TN11 9DZ				
£1-£49,999	5.50	4.125	5.61	Qtr
£50,000-£249,999	6.00	4.50	6.14	Qtr
£250,000-£499,999	6.625	4.969	6.79	Qtr
£500,000+ Money Market Rates on request				
Gartmore Money Management Ltd 16-18 Monument St London EC3R 8QQ 071-236 1425				
HICA £10,000+	5.75	4.31	5.87	3-Mth
Halifax Bldg Soc Asset Reserve Cheque Acc Trinity Road, Halifax HX1 2RG 0422 335333				
£5,000-£9,999	5.50	4.13	5.61	Qtr
£10,000-£24,999	6.20	4.65	6.35	Qtr
£25,000-£49,999	6.55	4.91	6.71	Qtr
£50,000 and above	7.35	5.51	7.56	Qtr
Julian Hodge Bank Ltd 10 Windsor Place Cardiff CF1 3BX 0222 220800				
6 Mth Fixed Rate Dep Acc	8.00	6.00	–	–
Extra High Interest Deposit Account				
£50,000+	7.75	5.81	7.98	Qtr
£10,000+	7.50	5.63	7.71	Qtr
£5,000+	7.00	5.25	7.19	Qtr
Humberclyde Finance Group 5 Bartley Way, Hook, Basingstoke 0256 760000				
£50,000+	7.00	5.25	7.19	Qtr
Leopold Joseph & Sons Limited 29 Gresham Street, London EC2V 7EA 071 588 2323				
Treasury High Interest Cheque Account				
£25,001-£100,000	6.50	4.875	6.6603	Qtr
£100,001 plus	6.75	5.0625	6.9230	Qtr
Kleinwort Benson Ltd 158 Kentish Town Rd, London NW5 2BT 071 267 1534				
H.I.C.A. (£2,500+)	6.00	4.50	6.165	Daily
Lloyds Bank – Investment Account 71 Lombard St, London EC3P 3BS 0272 433372				
£50,000 and above	6.00	4.50	6.00	Yearly
£25,000+	5.70	4.28	5.70	Yearly
£10,000+	5.50	4.13	5.50	Yearly
Midland Bank plc PO Box 2, Sheffield 0742 529394				
Exchequer Acc £5000+	5.25	3.94	5.25	Yearly
£10,000+	6.00	4.50	6.00	Yearly
£25,000+	6.50	4.88	6.50	Yearly
£50,000+	7.50	5.63	7.50	Yearly
TESSA	6.75	–	6.75	Yearly
NatWest Crown Reserve Account 41 Lothbury, London, EC2P 2BP 0800 200 400				
£50,000+	6.75	5.06	6.92	Qtr
£25,000-£49,999	6.375	4.78	6.53	Qtr
£10,000 to £24,999	5.875	4.41	6.01	Qtr
£2,000-£9,999	5.375	4.03	5.48	Qtr
Nationwide Bldg Soc – BusinessInvestor Business High Interest Cheque Account Pipers Way, Swindon SN38 1NW				
£2,000-£4,999	4.90	3.68	4.99	Qtr
£5,000-£9,999	5.40	4.05	5.51	Qtr
£10,000-£24,999	5.90	4.43	6.03	Qtr
£25,000-£49,999	6.40	4.80	6.56	Qtr
£50,000+	6.90	5.18	7.08	Qtr
Portman Bldg Soc Prestige Cheque Account Richmond Hill, Bournemouth, BH2 6EP 0800 663663				
£50,000+	7.35	5.51	7.35	Yearly
£30,000-£49,999	6.25	4.69	6.25	Yearly
£20,000-£29,999	5.25	3.94	5.25	Yearly
£10,000-£19,999	4.25	3.19	4.25	Yearly
£2,500-£9,999	3.25	2.44	3.25	Yearly
Provincial Bank PLC 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
H.I.C.A. (£1,000+)	5.50	4.13	5.64	Mth
Royal Bank of Scotland plc Premium Acc 42 St Andrew Sq, Edinburgh EH2 2YE 031-228 5650				
£50,000+	6.00	4.50	6.14	Qtr
£25,000-£49,999	5.60	4.20	5.72	Qtr
£10,000-£24,999	5.00	3.75	5.09	Qtr
£5,000-£9,999	3.50	2.63	3.55	Qtr
£2,000-£4,999	3.00	2.25	3.03	Qtr
Save & Prosper/Robert Fleming 16-22 Western Rd, Romford RM1 3LB 0800 282101				
Client Account	5.50	4.13	5.65	Daily
TESSA Fixed 1 Year	5.75	–	5.875	Mth
TESSA Variable	6.79	–	7.00	Mth
Tyndall & Co Ltd 29-33 Princess Victoria St, Bristol 0272 744720				
Demand Acc	06.00	4.50	06.14	Qtr
HIMA £2,000+	05.75	4.31	05.88	Qtr
HIMA £100,000+	06.00	4.50	06.14	Qtr
Master Plus	05.63	4.22	05.74	Qtr
TESSA	06.38	–	06.53	Qtr
ULC Trust Limited 1 Great Cumberland Pl, London W1H 7AL 071-258 0094				
£10,000-90 day notice	8.50	6.38	8.77	3-Mth
£10,000-180 day notice	9.25	6.94	9.46	6-Mth
United Dominions Trust Ltd PO Box 135, Abbey St, Reading RG1 3EB 0734 560411				
Capital Plus Cheque Account				
£1,000+	6.25	4.69	6.40	Qtr
J. Henry Schroder Wagg & Co Ltd 120 Cheapside, London EC2V 6DS 071-382 6000				
Special Acc	5.25	3.94	5.35	Mth
£10,000 and above	5.50	4.13	5.64	Mth
Western Trust High Interest Cheque Acc The Moneycentre, Plymouth PL1 1SE 0752 224141				
£15,000+	6.50	4.88	6.66	Qtr
£5,000-£14,999	6.25	4.69	6.40	Qtr
£1,000-£4,999	6.00	4.50	6.14	Qtr
Wimbledon & South West Finance PLC 114 Newgate St, London EC1 7AE 071-606 9485				
High Int Cheque Acc	6.25	4.69	6.40	Qtr

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

CROSSWORD

No.8,026 Set by HIGHLANDER



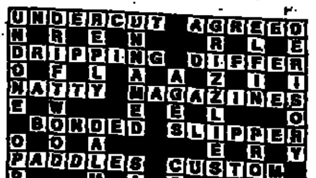
ACROSS

1 Pass collection of clubs to partner (9)
6 Where female gets left if ending up unattached (5)
9 Make law giving birch back to head (5)
10 Alter the appearance of poor average with it (9)
11 Three-way effort; father drunk, by the sound of it (10)
12 Smile broadly, supporting member (4)
14 Recording one does perhaps create an incident (7)
15 Boxer's teeth? (7)
17 One of the pages is clever with needle (7)
19 Spouse's relative walks forward (7)
20 Clown sets one business against another (4)
22 What verbal skill is reguired for black magic? (10)
25 It shows something in characterless despot (9)
26 Very first with the shivers? Not clearly established (5)
27 It takes place plumb on time (5)
28 Others get crumbs of bread put in for bird (9)

DOWN

1 Many abandoned in Split (5)
2 Incomplete fabrication knowhow is a drawback (9)
3 Additional insurance for one working in the field (5-5)
4 Tot gave funny rendition of old-time dancing (7)
5 Wayward boy concealing deserter (7)
6 Check the trunk (4)
7 Remove all traces of age and first signs of senility (5)
8 Member of an order seen from a different order (9)
13 Protected from cold inside, below and above (5,5)
14 Impressive operative (9)
16 It's a long complicated one in fond remembrance (9)
18 More healthy with inbuilt resistance to fried food (7)
19 Made firm get hold of a lot in Rome (7)
21 Bounder about to join key group (5)
23 What daily covers embezzlement ? (5)
24 Second joint in rabbit's tail (4)

Solution to Puzzle No.8,025



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Dec 9	Dec 8	Dec 7	Dec 4	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3323.81	3322.18	3307.33	3288.68	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	103.00	102.94	102.76	102.62	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1413.35	1428.86	1424.43	1430.27	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	218.20	219.14	218.58	216.57	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3345.42 (3331.64) Low 3295.98 (3288.41) (Theoretical♦)
Day's High 3335.69 (3323.54) Low 3308.14 (3303.54) (Actual♦)

STANDARD AND POOR'S	Dec 9	Dec 8	Dec 7	Dec 4	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	435.65	436.99	435.31	432.06	436.99 (8/12)	394.50 (8/4)	436.99 (8/12/92)	4.40 (1/6/32)
Industrials	511.25	512.85	510.87	507.00	512.85 (8/12)	470.91 (8/4)	512.85 (8/12/92)	3.62 (21/6/32)
Financial	39.74	39.88	39.60	39.35	39.88 (8/12)	32.40 (8/4)	39.88 (8/12/92)	8.64 (1/10/74)
NYSE Composite	239.44	240.24	239.36	237.77	240.24 (8/12)	217.92 (8/4)	240.24 (8/12/92)	4.46 (25/4/42)
Amex Mkt. Value	393.98	394.65	394.36	394.95	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	663.92	667.12	666.53	661.60	667.12 (8/12)	547.84 (26/6)	667.12 (8/12/92)	54.87 (31/10/72)

	Dec 4	Nov 27	Nov 20	year ago (approx.)
Dow Industrial Div. Yield	3.13	3.14	3.19	3.17

	Dec 2	Nov 25	Nov 18	year ago (approx.)
S & P Industrial div. yield	2.61	2.62	2.65	2.80
S & P Indl. P/E ratio	26.71	26.63	27.71	22.79

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
IBM	3,601,300	62¾	- 2¾
Limited Inc	3,555,800	26¼	- ⅞
Chrysler	3,354,400	32⅞	- ⅛
RJR Nabisco	3,273,300	9	+ ⅛
Home Shop	3,170,800	7⅛	+ ⅜
Am T & T	2,588,000	48¾	+ ⅛
Merck	2,536,400	47½	+ ¼
Gen Motors	2,072,900	33⅞	- ⅞
Glaxo	2,047,800	25½	- ¼
Schlumberger	1,997,400	57¼	- 1⅛

TRADING ACTIVITY

† Volume (Millions)	Dec 9	Dec 8	Dec 7
New York SE	229.980	234.300	217.780
Amex	17.302	16.245	15.751
NASDAQ	230.591	232.022	226.273
NYSE			
Issues Traded	2,423	2,425	2,404
Rises	725	1,001	1,209
Falls	1,111	822	654
Unchanged	587	602	541
New Highs	84	107	120
New Lows	24	17	14

CANADA

TORONTO	Dec 9	Dec 8	Dec 7	Dec 4	1992 HIGH	1992 LOW
Metals & Minerals	2797.21	2803.18	2755.97	2759.39	3238.87 (16/1)	2529.91 (17/11)
Composite	3285.49	3290.90	3293.09	3289.40	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1736.33	1740.03	1736.53	1736.59	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

WORLD INDICES

	Dec 10	Dec 9	Dec 8	Dec 7	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1501.3	1482.1	1468.9	1444.7	1684.50 (22/5)	1357.20 (16/11)
All Mining (1/1/80)	589.8	577.9	574.8	559.6	726.80 (3/2)	545.40 (16/11)
AUSTRIA						
Credit Aktien (30/12/84)	309.95	311.76	(c)	311.67	377.76 (9/12)	291.41 (13/8)
Traded Index (2/1/91)	751.97	756.26	(c)	755.75	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1124.58	1129.47	1130.02	1129.68	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	265.49	264.88	264.47	264.03	365.29 (15/1)	250.42 (20/10)
FINLAND						
HEX General (28/12/90)	867.9	888.9	881.7	870.0	938.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	472.56	467.43	470.88	471.31	555.93 (12/5)	441.70 (7/10)
CAC 40 (31/12/87)	1769.48	1791.16	1765.88	1788.61	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	591.42	594.65	596.48	602.52	725.26 (26/5)	565.61 (12/10)
Commerzbank (1/12/53)	1672.5	1681.9	1686.2	1703.0	2043.80 (25/5)	1594.60 (12/10)
DAX (30/12/87)	1494.48	1508.59	1508.24	1525.32	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	5273.79	5339.25	5202.36	5191.75	6447.11 (12/11)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1159.40	1154.11	1168.35	1176.74	1449.57 (17/1)	1094.88 (19/10)
ITALY						
Banca Com. Ital. (1972)	425.48	432.8	(c)	430.92	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	839.0	852.0	(c)	849.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	17501.30	17406.22	17281.85	17207.12	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1328.83	1312.92	1304.86	1300.41	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1720.08	1699.92	1682.48	1678.08	2489.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	633.94	633.52	635.93	635.56	660.35 (5/11)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	292.8	293.9	292.4	291.7	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	197.1	197.8	196.8	196.4	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	711.38	657.40	653.94	666.06	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1248.84	1265.96	1278.59	1284.24	1980.95 (11/6)	1083.81 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	378.14	378.74	377.58	379.18	416.99 (21/1)	351.41 (21/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	816.09	827.9	858.0	864.0	1327.00 (21/1)	746.00 (18/11)
JSE Industrial (28/9/78)	4372.09	4406.0	4357.0	4295.0	4689.00 (4/6)	3936.00 (19/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	642.03	620.74	625.61	616.21	691.48 (6/3)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	212.21	211.37	(c)	(c)	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	901.1	898.2	884.4	871.4	1014.50 (11/5)	639.00 (5/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	881.5	882.0	874.1	871.7	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	656.1	654.6	649.4	647.3	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3746.75	3776.55	3761.61	3755.77	5391.65 (30/1)	3351.63 (26/9)
THAILAND						
Bangkok SET (30/4/75)	(c)	848.54	847.90	(c)	963.03 (5/11)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	497.9*	497.9	498.6	495.9	542.30 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	849.83	854.44	855.53	856.36	976.55 (25/5)	772.52 (5/10)

**Saturday December 5: Taiwan Weighted Price: 3,727.95, Korea Comp Ex. 623.25.
¶ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday, December 10, 1992

	Stocks Traded	Closing Prices	Change on day
NPN Steel Corp	6.0m	296	-3
Mitsui Min & Sml	6.6m	508	+23
Toshiba Corp	6.0m	633	+10
Mitsubishi Elec	4.9m	480	+23
Nippon Express	4.5m	765	+14
Sumitomo Metal	3.9m	275	+5
Mitsubishi Heavy	3.8m	535	+5
Nomura Sec	3.8m	1,520	+50
Ricoh Co	3.8m	610	+10
Nippon Juteki	3.5m	510	+14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3 pm December 10

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11	AAR Corp	0.48	4.1	19	285	11¾	11½	11⅝	−⅛
28½	18	A L Labs A	0.16	0.7	151	751	24⅝	23¾	24¼	+⅝
69¾	52⅞	AMP Inc	1.52	2.7	21	2192	56⅝	55⅞	56½	−⅛
60¼	54⅞	AMR				126001	61⅛	60	61⅛	+½
2⅞	1⅜	ARX			12	152	1⅞	1⅞	1⅞	−⅛
53½	30½	ASA	2.00	6.2	21	347	32⅝	32	32½	+½
34¼	26½	Abbott Lab	0.60	1.9	21	6961	31⅛	30⅞	31⅛	−½
13⅞	10⅞	Abitibi Pr	0.40	3.6		5z100	11	11	11	
11⅝	10¼	ACM Gvt In x	0.94	8.6		482	10⅞	10¾	10⅞	
10¼	9¼	ACM GvOpp x	0.73	7.8		33	9½	9⅜	9⅜	
9¾	8½	ACM Gvt Sp x	0.91	10.4		259	9	8¾	8¾	
11⅞	9⅞	ACM Gvt Se	1.01	9.7		131	10⅜	10¼	10⅜	
10⅝	8⅝	ACM Man x	0.95	9.7		44	10	9⅞	9⅞	
12⅞	8⅝	ACM Managd x	0.93	10.5		213	8⅞	8¾	8⅞	+⅛
11¾	4¾	Acme Cleve	0.40	5.2	14	37	8	7¾	7¾	−¼
6½	3¾	Acme Elect			125	34	6¼	6	6¼	
33¼	14¾	Acuson			12	216	16⅞	16¼	16⅞	
21	18¼	Adams Expr	1.62	8.2	1	11	20	19⅞	19⅞	
49¼	29½	Ad Micro	3.00	6.9		272	44⅛	43½	43⅝	−½
21½	7½	Ad Micro P	3.00	17.6		59194	17½	16¾	17	−¼
9⅝	4⅞	Advest Grp	0.16	2.7	12	27	6⅛	6	6	−¼
42¾	33	Aegon ADR	1.35	3.3	7	228	41⅝	41¼	41¼	
48¾	38	Aetna Lf	2.76	5.7	14	2060	48¼	47⅝	48¼	−½
12¾	8⅜	Aflli A	0.24	2.1	15	203	11½	11⅜	11⅜	
34	24	Aflac	0.44	1.4	15	676	32⅝	32⅜	32½	
19⅝	13	Ahmanson	0.88	5.3	6	478	17¼	16¾	16¾	−⅜

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
45	34½	ScottPaper	0.80	2.2	75	1874	37⅛	36⅝	37⅛	
17½	13½	ScudderNAsF	0.22	1.5		33	14⅞	14¾	14¾	
9¾	7⅞	ScudderNEuF	0.30	3.9		426	7⅞	7¾	7¾	-⅛
24	13	Sea Coors	0.48	3.0	8	136	16⅛	14⅞	14⅞	-⅛
16¾	14⅞	SecC1.4625	1.46	9.4		98	16½	15⅝	15½	
31	25¼	Seagram Co	0.56	2.1	14	996	27	26⅝	26⅝	-⅜
39¾	21⅝	Seagull En			85	304	31¼	30⅞	31⅞	+⅞
26½	20½	Sealed Air			23	110	24½	24¼	24⅜	+⅛
23	18⅛	SPX Corp	0.40	2.2	13	88	18½	17⅞	18⅛	-⅜
48	37	Sears Roeb	2.00	4.5	36	2274	44¾	44¼	44⅜	-⅜
13¼	11⅞	Seligm Sel	0.88	6.9		99	12⅝	12½	12½	
32⅛	22½	Sensormat	0.30	1.0	26	311	31⅛	30¾	31	-⅞
51	33⅞	Sequa A x	0.60	1.7	27	17	38	35¼	35⅞	+⅞
58	38	Sequa B x	0.50	1.3	20	21	39½	39	39	
18¾	15¼	ServiceCpI	0.40	2.2	16	950	18⅛	18	18⅛	
29⅞	22	Servicemr	1.19	4.3	11	118	28¼	27⅞	27⅞	-⅛
30½	17	Shaw Ind	0.30	1.0	28	479	29⅝	29¼	29½	
19¼	8⅞	Shawmut N	1.00	5.8	28	2967	17⅛	17	17¼	+⅛
10⅛	6½	Shelby Wil	0.24	2.5	42	9	9⅜	9⅜	9⅛	
58¼	45⅝	Shell Tr&T	2.47	4.8	14	708	52¼	51¾	52	-¼
32⅞	25⅞	Sherwin Wl	0.44	1.4	19	1601	32⅛	31¾	31⅞	-½
27¼	15¼	Shoneys			21	1891	24½	24¼	24¼	-¼
17	8¼	Showboat x	0.10	0.6	13	313	16⅞	15⅞	15⅞	-⅛
24⅜	17⅞	Sierra Pac	1.12	5.7	11	110	19⅞	19⅝	19¾	-⅛
24⅜	14	SignalApp			3	50	15	15	15	
44⅞	21⅞	Signet Bnk	1.20	2.8	46	807	43⅝	42½	42¾	-⅞
29⅜	14¼	SiliconGr			21	1121	27¼	26¼	26½	-⅝
12	9¼	Sizeler	1.01	9.2	28	56	11¼	11	11	
15⅞	9	Sizzler	0.16	1.5	148	84	10⅜	10⅛	10⅜	
18⅞	14	Skyline	0.48	2.6	32	224	18⅝	18½	18½	-¼
4½	2⅞	SL Inds	0.06	1.5	36	24	3⅞	3⅝	3⅞	+⅛

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25¼	19¼	Texas Ind	0.20	1.0	45	29	20⅞	20¾	20¾	
52¼	30	Texas Inst	0.72	1.5	100	3723	50	48	48⅞	-1⅞
23¼	16⅞	Texas Pac	0.40	2.3	32	17	17⅞	17⅝	17⅞	+⅛
45¼	37	Texas Util x	3.04	7.2	12	2100	42	41⅜	42	+⅜
10⅛	9⅜	Texfi Pf	1.10	11.0		7	9⅞	9⅞	10	
9⅛	4⅞	Texfi Inds	1.10	15.7	4	53	7¼	6⅞	7	-⅛
43⅞	33⅝	Textron x	1.12	2.6	11	1283	43⅛	42⅝	42⅞	-⅜
6⅛	4⅛	Thackeray			27	2	4⅝	4⅝	4⅝	
11½	7½	Thai Cap	0.25	2.4		580	10⅜	10	10⅛	+⅛
19⅝	13⅞	Thai Fund	2.72	14.5		104	18⅞	18¾	18¾	
47½	37½	ThermoElec	0.13	0.3	20	443	44⅞	44⅛	44⅛	-⅜
17⅞	13¼	Thiokol	0.40	2.4	8	1061	16⅝	16¼	16½	+⅛
69	54⅞	Thmas & B x	2.24	3.5	26	67	64	63	63	-1⅛
14⅛	8⅞	Thomas Ind x	0.40	4.0	66	83	10⅛	10	10	-⅛
19½	13	Thomson Af	1.29	7.8	7	20	16⅞	16⅜	16⅜	-⅛
21	11⅞	Tidewater	0.15	0.8	69	375	18½	18¼	18½	+¼
62⅞	23	Tiffany	0.28	1.0	28	493	28⅞	28⅜	28⅝	+⅛
52¾	45¼	TimeWa8.75 x	4.38	9.0		1008	49	48⅝	48⅞	
29¼	21⅞	TimeWner	0.28	1.0	19	6144	29⅛	28⅝	28⅞	+⅛
53⅝	45⅛	TimeWn11.0	1.10	2.1		2018	u53⅝	53½	53½	
39⅜	29½	TimesMirr	1.08	3.6	33	1865	30⅛	29⅞	30	
30½	23⅛	Timken	1.00	3.9	23	176	26⅞	25½	25½	-⅞
4⅞	2⅝	TitanCrp			14	54	3⅜	3⅜	3⅜	-⅛
11⅞	10	Titan Pf	1.00	8.8		7	11½	11½	11⅜	-⅛
5⅝	3½	Todd Shp			5	134	4	3⅞	4	
10¾	6½	Tokheim Co	0.56	8.5	0	36	6¾	6⅝	6⅝	-⅛
29⅞	26½	ToledE2.81	2.81	10.4		3	27	27	27	+⅛
14	7½	Toll Bros			36	680	13⅜	12⅞	13⅛	+⅜
84½	59⅞	Tootsie Rl	0.30	0.4	25	77	81½	78¾	79⅞	-2⅝
54½	38	Torchmark	1.07	2.0	15	703	53	52½	52⅝	-¼
17½	11⅞	Toro Corp	0.48	2.8	9	32	17¼	17⅛	17⅛	-⅛

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
41½	24⅞	Xtra 1.94	1.94	4.8		58	40½	40⅜	40⅜	-⅛
67⅞	28½	Xtra Corp	0.80	1.4	14	189	58⅜	58	58¼	-⅛
30⅝	25¼	Yankee Egy x	1.66	6.0	12	88	28	27½	27¾	
1½	½	Zapata			45	63	⅝	⅞	⅞	
11⅞	6	ZenithElec			2	653	6⅝	6⅜	6½	-⅛
19½	14½	Zenith Nat	1.00	5.9	8	1292	16⅞	16¾	16⅞	
7½	6	Zenix Inc	0.82	12.4		51	6¾	6⅝	6⅝	
13¾	10	Zero Corp	0.40	3.0	20	228	13⅜	13	13⅜	+⅜
38	27⅞	Zurn Ind	0.88	2.4	42	208	37	36⅛	37	+⅞
14⅛	12	Zweig Fund	1.12	8.6		168	13	12⅞	13	
11	9½	Zweig Totl x	0.96	9.6		420	10⅛	10	10	-⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm December 10

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Bowne	0.30	9	57	16	14¾	15	
Brascan A	0.67	25	9	11⅞	11⅞	11⅞	
Cal Engy		17	383	15⅞	15⅝	15⅝	-⅛
Calprop		0	100	1	1	1	
Can Marc	0.23	5	83	10¼	10¼	10½	+⅛
Chmbrs A	0.01	28	630	4⅛	4⅞	4⅛	-⅛
Chambers		5	66	4⅞	4½	4½	-⅛
Champion		63	144	7¼	6⅞	7	-⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Giant FdA	0.68	18	237	22¼	21¾	21¾	-½
Glatfltr	0.70	12	647	18	17¾	17¾	-⅛
Goldfield		3	147	13/16	⅝	13/16	
Greenman		7	221	4⅝	4⅜	4⅜	-⅛
Gulf Cda	0.34	4	488	3⅝	3 7/16	3¼	-⅛
Hasbro	0.20	18	2016	33½	32⅞	32⅞	-⅝
Health Ch		17	68	2⅛	2	2 1/16	-1/16

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Nat Patnt		11	105	2 13/16	2¾	2¾	-⅛
New Line		30	142	13¾	13⅝	13½	-⅜
NY Tmes A x	0.56	66	1084	26⅛	25⅞	25⅞	-⅛
NthCdOil x	0.17	50	19	9⅛	9	9	
Numac Oil		2	20	4 13/16	4 13/16	4 13/16	+⅛
NV Ryan		0	50	7/16	½	7/16	+1/16
Odetics A		78	61	6⅜	6¼	6¼	-⅛
Olsten	0.32	32	123	38⅝	38½	38⅝	-⅛
Pegasus G	0.10	30	633	14⅛	13½	14⅛	+½
Perini	0.80	17	z100	17⅝	17⅝	17⅛	
Pd B&P x	1.14	11	33	16½	15⅞	16½	+½
PHI LD x	0.25	14	960	36⅜	35⅛	35⅛	-1⅞
Pitway A x	1.10	16	29	33½	33⅛	33½	+⅛
Ply Gem	0.12	23	289	11¾	11⅝	11⅝	+⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
US Cellul		92	22	21½	21¼	21⅜	-⅛
WangLab C		0	2	1½	1½	1½	-1/16
WangLab B		0	1081	7/16	⅜	⅜	
Weatherfd		112	36	5⅝	5⅝	5⅝	
Westamer	0.52	10	80	u23½	23¼	23⅜	-⅛
WIREIT	1.12	18	216	12¾	12½	12⅝	-⅛
Worthen	0.16	11	127	27½	26⅞	27	-⅛
Xytronix		7	27	8⅜	8¼	8¼	-⅜

NASDAQ NATIONAL MARKET

3 pm December 10

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
WPP Group	1.11	1	218	1⅛	1 3/16	1 3/16	
Wyman-Gdn	0.40	1	175	5¼	5	5⅛	+⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		25	5006	23¾	22¼	22¾	-¾
Xoma Corp		5	1609	12¼	11½	11½	-¾
Yellow Fr	0.94	21	597	28¼	27⅝	28	+⅜
York Rsch		7	702	7	6⅝	6⅞	+⅛
ZionsUtah	1.44	11	53	72	71¼	71¼	-⅜

AMERICA

Dow declines despite good economic data

Wall Street

PROFIT-TAKING weighed on US share prices despite more good news on inflation and jobs, *writes Patrick Harverson in New York*.

By 1 pm the Dow Jones Industrial Average was down 20.54 at 3,303.27, near its lows for the morning. The more broadly based Standard & Poor's 500 was also weaker, down 2.77 at 432.88, while the Amex composite was 0.77 lower at 392.21 and the Nasdaq composite was off 6.51 at 657.41. Turnover on the NYSE was 136m shares by 1 pm, and declines outdistanced rises by 1,034 to 678.

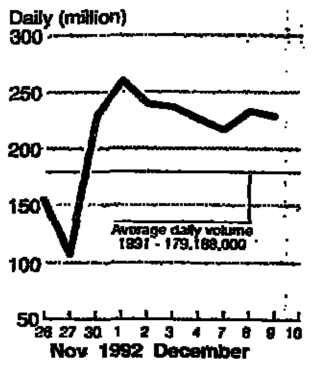
Signs that the market's recent rally may be running out of steam were evident when prices failed to rise after the Labor Department reported that producer prices fell 0.2 per cent in November, following a 0.1 per cent decline the previous month, and that weekly jobless claims in late November fell by 38,000.

Both sets of data were better than analysts had expected. The producer prices figure was particularly encouraging, as it confirmed that inflationary pressures are not building up despite evidence that the recovery is gathering pace.

The market failed to respond positively to the data, primarily because the initial rush of investor demand that has powered several indices to new highs over the past few weeks is clearly waning.

General Motors slumped $1 to $32¾ on the news that the car manufacturer faces a law suit filed on behalf of some purchasers of pickup trucks with fuel tanks located outside the frame. Other motor stocks were also weaker, with Chrysler $1 lower at $32 and Ford down $⅛ at $42⅞.

NYSE volume



Equitable rose $¾ to $13¼ in turnover of 1.6m shares on news that the company had formed a strategic partnership with Unum, the specialist Maine-based insurer, to sell Unum-designed individual disability insurance products. Unum firmed $⅜ to $53⅜.

Chock Full O' Nuts rose $⅜ to $8⅜ after reporting fiscal first quarter net income of 12 cents a share, up from 5 cents a share a year earlier. The company also said it expected profits for the full year 1993 to come in above analysts' forecasts of 45 cents a share.

Metropolitan Financial rose $1 to $16⅜ after it terminated a planned merger with National City Bancorp.

On the Nasdaq market, Microsoft fell $2¾ to $89 in volume of 1.8m shares on a downgrade from Donaldson Lufkin & Jenrette, which believes that the company will not exceed analysts' earnings expectations. Hopes that the company would do just that have been behind the recent surge in Microsoft shares.

Canada

TORONTO slipped at midsession on weakness in gold prices and in the property sector. Banks were also weaker. The TSE-300 index fell 18.29 to 3,267.3 in volume of 23.8m shares valued at C$187m. Declines led advances 254 to 198 with 263 unchanged.

American Barrick eased C$¼ to C$36⅝ and Pegasus Gold lost C$¼ to C$17¼.

European steels reflect industrial woes

Returns for investors will only improve after further restructuring, says Andrew Baxter

Investors in European steel shares have had a rough time in recent months as the severity of the industry's problems has become increasingly apparent.

In the run-up to British Steel's first-half results on November 16, there was a sense of inevitability about the fate of the half-year dividend, which was duly omitted.

Ten days later, Thyssen cut its dividend from DM10 to DM6 per share, and the only surprise was that the reduction was not greater.

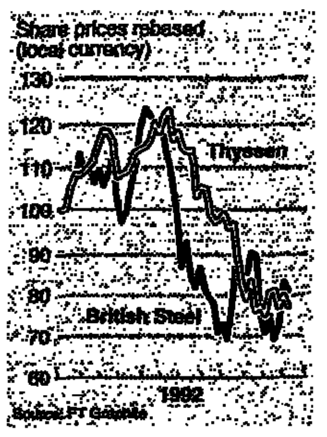
Like the industry itself, steel shares are under pressure. Virtually every major steel company in Europe is losing money, and the combination of overcapacity, cut-price imports from eastern Europe and the long-term downward trend in steel has served up a potent cocktail to add to the recession in the manufacturing industry.

Despite signs of slowing demand for steel in the summer, production continued at a fairly high rate in the third quarter, leaving the industry awash in inventory, says Mr Edward Hadas of Morgan Stanley. Investors took notice, and marked the share prices down.

Even Thyssen, which virtually alone among big producers could call its latest annual results "satisfactory" – profits were down 33 per cent at DM350m ($220m) – is now trading at just DM155.30, against a high for the year of DM245. And the decline in British Steel shares to 54p since privatisation in November 1988 at 125p is a measure of the UK recession, which, so far at least, has been deeper than on the Continent.

Production has fallen in the fourth quarter but investors have not yet taken heart. Longer-term plans to restructure the industry – notably the plan backed by the European Community to help fund the expected 50,000 redundancies over the next three to four years – cannot produce immediate results.

Mr Matthias Weltícke of Merck Finck in Düsseldorf believes that any recovery in



steel shares is likely to be later rather than sooner, since gloomy conditions in the German car industry, the major client for Thyssen, Hoesch and Klöckner, could extend the downtrend in the steel industry for longer than is normal in a recession.

Mr Hadas sees steel shares in an "interesting limbo" between declining demand for steel and the possibility of even more rapidly declining supply as production cuts take hold. That, he says, could lead the industry back to break-even by the end of 1993.

He points out, however, that the major European steel shares are held for different reasons and by different kinds of investors. Current shareholders in British Steel are largely investors who think the stock is cheap in relation to the fundamental value of the company. "The next move [in the share price] will come when it becomes clear that profitability is there," he says.

In contrast, he says, Thyssen remains a standard part of a German industrial portfolio along with companies such as Mannesmann. It is difficult to make a strongly positive case for the shares, says Mr Hadas, not because they will not recover, but because of the outlook for the German economy.

Over the next year, the short-term outlook for the European steel industry may well follow British Steel's forecast last month that continental Europe continues to decline while the UK market stabilises.

Whether this is reflected in share price movements is much harder to predict. But the long-term course of steel shares could be very heavily influenced by the EC restructuring proposals, and, in particular, by where the capacity cuts are made.

Again, the focus may well be on Germany. Companies such as Thyssen are financially stronger than British Steel but suffer from higher costs, says Mr Welticke. The ability of Krupp and Hoesch to make politically-sensitive job cuts now that their merger has finally cleared legal obstacles will also have a major impact on the new company's financial performance.

But, however much the steel industry might quibble over the extent of its overcapacity and its effects, it could take the restructuring efforts of the entire European industry to give investors a better return than they are getting now.

EUROPE

Bourses upset by Bundesbank's stance

THE Bundesbank's decision not to cut interest rates upset continental share prices in the afternoon, but Scandinavian markets were cheered by the effective devaluation of the Norwegian crown, *writes Our Markets Staff*.

FRANKFURT traded quietly ahead of the Bundesbank's statement which came after the official close. The DAX index closed down 6.11 at 1,494.48 but after hours in London, the German component of the FT-SE Eurotrack fell 1.3 per cent. Turnover rose to DM4.2bn from DM4bn.

Analysts were not surprised by the Bundesbank's stance, taking the view that rates were likely to ease next year when it became more apparent that Germany was in a recession.

Daimler, down DM3.30 at DM514.40, said that it expected to show a decline in profits for 1992 in spite of a 40 per cent rise in sales on the year. The company also said it was likely to lose $1.3bn after Northwest Airlines cancelled an Airbus order this week.

Deutsche Bank lost another DM6.50 to DM641.50 following disappointing 10-month figures earlier in the week, while Commerzbank slipped DM1.10 to DM239.00. Dresdner lost DM2.50 to DM346.50.

PARIS ended 1.2 per cent lower on disappointment about the Bundesbank's decision, which sharply reduced the possibility of a cut in French interest rates at a time when the economy was suffering and companies were issuing warnings about profits and trading prospects. Dealers said that only speculation about a devaluation in the franc would continue to keep investors interested in French equities. The CAC-40 index fell from the day's high of 1,806.59 to close 21.68 lower at 1,769.48 in good turnover of FFr2.83bn.

LVMH dropped FFr175 or 4.7 per cent to FFr3,515 after Guinness, the UK drinks group in which it has a cross-shareholding, issued a gloomy trading forecast. BSN fell FFr18 to FFr948 in sympathy.

Saint-Gobain fell FFr12 to FFr516 after Pilkington, its UK rival in the glass industry, reported a sharp drop in first-half pre-tax profits.

FT-SE Actuaries Share Indices

December 10 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1056.02	1055.16	1054.31	1054.24	1056.15	1054.24	1050.45	1049.63
FT-SE Eurotrack 200	1129.24	1129.36	1129.33	1129.30	1132.97	1129.87	1126.53	1123.58

	Dec 9	Dec 8	Dec 7	Dec 4	Dec 3
FT-SE Eurotrack 100	1054.06	1051.12	1056.02	1052.78	1055.11
FT-SE Eurotrack 200	1133.46	1135.64	1137.52	1133.53	1136.09

Base value 1000 (26/10/90) High/day: 100 - 1058.77; 200 - 1133.69 Low/day: 100 - 1048.97 200 - 1122.83

Lyonnaise des Eaux shed a further FFr6 to FFr454 in spite of news of an Argentine contract, while Elf relapsed by FFr10.50 to FFr339.50 on US selling.

OSLO soared 7.5 per cent in response to the government's decision to let the Norwegian crown float free from the Ecu. The crown weakened about 5 per cent from its central rate against the Ecu after the news. The all-share index jumped as high as 404.56 before closing 27.97 higher at 399.38 in turnover worth NKr710m.

Industrial shares had the biggest gains on prospects of greater competitiveness. Norsk Hydro rose NKr17.5 to NKr164, while Elkem jumped NKr12 to NKr40.

COPENHAGEN was lifted by the Norwegian crown float and expectations of a possible devaluation in the Danish crown. The KFX top-20 index gained 1.11 to 77.18 in turnover of DKr83m. Novo Nordisk and Sophus Berendsen gained DKr13 and DKr2 respectively to DKr583 and DKr387.

The FTSE Eurotrack Indices Steering Committee announced yesterday that from Monday December 21, Procordia A and B and Commerzbank would be included in the Eurotrack 100 index and Philips Electronics, Bancario San Paolo and CRH would be excluded. The indicative reserve list includes Skandia Free, Elsevier NV, Zurich Insurance PCs, Viag and Pechiney International.

STOCKHOLM showed a more muted reaction as the Affärsvärlden General Index added 2.9 to 901.1 as turnover declined to SKr734m.

Trading in Astra continues to dominate the market ahead of the company's meeting with analysts next week. The B share added SKr16 to SKr743.

MILAN was dragged down by Fiat which fell further after the previous day's poor car sales data for November. Position-squaring ahead of the close of the December account next week also put downward pressure on the market. The Comit index fell 6.55 to 425.48 in turnover estimated at L145bn after L135bn.

Fiat dropped L195 or 4.7 per cent to L3,930, which reflected its heavy fall after hours on Tuesday.

ZURICH remained in positive territory although off earlier highs. The SMI index closed 7.9 higher at 1,988.6.

Georg Fischer bearers fell SFr65 or 9.5 per cent to SFr620 after Wednesday's disappointing forecast for 1992.

AMSTERDAM ignored a small cut in domestic interest rates and the CBS Tendency index closed 0.9 weaker at 105.3. Nedlloyd lost Fl 2.20 to Fl 30.70 as the group said that it would be making fresh cash calls on the capital market.

ASIA PACIFIC

Gains in New York help Nikkei rise for third day

Tokyo

HOPES of an early US economic recovery, a rise on Wall Street, and the expected passage of the supplementary budget pushed the Nikkei average up in active trading, *writes Emiko Terazono in Tokyo*.

The 225-issue average rose 95.08 to 17,501.30, extending its winning streak to the third consecutive day. The index opened at the day's low of 17,466.80 and rose to a high of 17,704.71 in the afternoon on buying by public funds and foreign investors, and on short-covering. Towards the end of the session, however, future-related selling cut some of the earlier gains.

Volume rose to 370m shares from 240m, the highest since October 9 when 484m shares changed hands. Advances led declines by 781 to 238 with 122 issues remaining unchanged. The Topix index of all first section stocks rose 15.91 to 1,328.83 and in London, the ISE/Nikkei 50 Index added 7.99 to 1,080.13.

Expectations that share prices will gain ground on today's fixing of the "special quotation" or settlement price for futures and options prompted buying by investors and short-covering by dealers.

Market participants hope the index will break through the 200-day moving average of 17,563, an important resistance level. The Nikkei has not closed above the 200-day average for 13 months.

Speculation that Mr Yoshiro Mori, chairman of the Liberal Democratic Party's policy research council, may become the next finance minister after the cabinet reshuffle, expected today, added to positive sentiment. Traders said that since Mr Mori is seen as a leading figure in pushing the government to adopt last August's emergency economic package, he might implement new measures to help the market.

Active short-covering helped financial issues, with Industrial Bank of Japan up Y100 to Y2,570, Sumitomo Bank gaining Y50 to Y1,830 and Nomura Securities Y50 to Y1,520.

Profit-taking depressed some large-capital blue chips. Nippon Steel, the most active issue of the day, fell Y3 to Y295.

High-technology blue chips gained ground on hopes of firm semiconductor demand in the US. Toshiba gained Y10 to Y633 and Fujitsu rose Y22 to Y578.

In Osaka, the OSE average gained 261.82 to 19,116.33 in volume of 36.2m shares. The index rose above the 19,000 level for the first time since October 16.

Roundup

HONG KONG lost some of the gains it had made earlier in the week while Australia closed at a three-month high. Bombay, which opened for one hour's trading, fell 4 per cent.

HONG KONG fell back in late trading after the Sino-British Joint Liaison Group failed to produce a communiqué at the end of its meeting. The Hang Seng index lost 65.46 or 1.2 per cent to 5,273.79 in thin turnover of HK$2.2bn.

Commentators noted that it was the first time in 25 meetings that the group had not issued a statement and this added to fears of a breakdown in co-operation between the two sides.

Property stocks were among the day's biggest losers with Cheung Kong down 20 cents to HK$18.30 and Sun Hung Kai Properties shedding 60 cents to HK$26.30.

AUSTRALIA ignored bad unemployment data and was lifted by strong overseas buying and continued interest in BHP, which rose 20 cents to A$12.62. The All Ordinaries index rose 19.1 to 1,501.3 in turnover of A$352.7m. Banks were positive, with Westpac adding 2 cents to A$3.07 and National Australia up 8 cents at A$7.64.

BOMBAY, closed for three days following the violence throughout the country, saw the BSE index fall 107.79 to 2,589.11 in thin turnover.

SINGAPORE eased with the Straits Times industrial index falling 4.36 to 1,442.38. Among actives, Inchcape fell 30 cents to S$6.20.

SEOUL was encouraged by rumours of a cut in interest rates and the composite index rose 21.29 to 642.03 in turnover of Won383.25bn.

TAIWAN reversed early gains to finish lower on profit-taking. The weighted index finished 29.80 lower at 3,746.75 in turnover of T$10bn.

MANILA fell for the second day as foreign investors unloaded their positions in Philippine National Bank. The composite index lost 16.99 to 1,248.84 in turnover of 244m pesos. PNB lost 12 pesos to 199 pesos.

SOUTH AFRICA

JOHANNESBURG slid across the board as the market seemed to be running out of steam. The overall index fell 25 to 3,278 and the industrial index dropped 35 to 4,371. The gold index lost 11 to 816. De Beers fell 90 cents to R60.85.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 9 1992								TUESDAY DECEMBER 8 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	120.21	+1.2	113.55	94.18	98.15	115.17	+1.0	4.22	118.84	110.32	93.11	96.20	113.98	153.68	108.18	144.82
Austria (19)	140.29	−0.9	132.52	109.92	114.55	114.50	−0.5	2.47	141.56	131.42	110.92	114.60	115.01	186.70	137.66	159.54
Belgium (42)	137.19	−0.8	129.60	107.48	112.02	109.45	+0.1	5.63	138.34	128.43	108.38	111.98	109.34	152.27	134.08	134.74
Canada (113)	114.38	−0.1	108.04	89.61	93.38	105.52	−0.2	3.21	114.47	106.27	89.69	92.66	105.69	142.12	111.36	132.45
Denmark (34)	193.16	−1.6	182.46	151.34	157.71	160.19	−0.4	1.70	196.20	182.15	153.73	158.82	160.91	273.94	181.70	255.66
Finland (15)	76.24	−0.7	72.02	59.74	62.25	80.80	+0.0	1.75	76.81	71.31	60.18	62.18	80.81	89.80	52.84	74.69
France (99)	147.38	+0.3	139.22	115.47	120.33	123.86	+1.2	3.64	147.00	136.47	115.16	118.98	122.44	168.75	136.93	135.38
Germany (64)	104.90	−1.4	99.09	82.20	85.65	85.65	0.5	2.65	106.36	98.74	83.34	86.09	86.09	129.69	102.51	110.43
Hong Kong (53)	213.00	+2.5	201.20	166.88	173.92	211.62	+2.4	4.26	207.86	192.97	162.86	168.26	206.64	262.28	176.36	188.85
Ireland (16)	131.05	−3.2	123.80	102.68	107.00	109.89	1.9	4.98	135.35	125.65	106.05	109.56	112.05	173.71	122.98	157.40
Italy (77)	55.26	−1.5	52.20	43.29	45.12	57.36	−0.1	3.62	56.12	52.10	43.97	45.43	57.43	80.88	47.47	69.57
Japan (472)	106.20	+0.6	100.32	83.21	86.72	83.21	−0.6	1.01	105.57	98.01	82.71	85.47	82.71	140.95	87.27	127.22
Malaysia (69)	269.74	−0.5	254.81	211.34	220.24	263.77	−0.5	2.51	271.21	251.78	212.46	219.53	265.20	282.42	212.49	208.10
Mexico (18)	1632.91	+1.7	1542.49	1279.40	1333.27	5556.82	+1.6	1.08	1606.17	1491.10	1258.45	1300.16	5470.26	1789.77	1185.84	1258.70
Netherland (25)	156.10	−0.3	147.46	122.31	127.46	125.57	+0.5	4.53	156.61	145.39	122.71	126.78	124.98	169.70	147.88	143.80
New Zealand (13)	42.43	−0.7	40.08	33.24	34.64	43.45	−0.8	5.13	42.72	39.86	33.47	34.58	43.82	48.52	37.39	45.19
Norway (22)	147.68	−0.3	139.50	115.71	120.58	128.59	+0.5	1.88	148.16	137.54	116.08	119.93	128.00	192.95	128.05	171.84
Singapore (38)	202.29	+0.4	191.09	158.50	165.17	152.79	+0.5	2.16	201.43	187.00	157.82	163.05	152.09	229.63	179.65	203.07
South Africa (60)	157.05	+0.9	148.35	123.04	128.22	160.03	[illegible]	3.20	155.62	144.47	121.92	125.96	159.50	263.60	134.21	254.84
Spain (48)	117.46	−0.9	110.95	92.03	95.90	99.93	0.1	6.03	118.50	110.01	92.85	95.92	100.05	161.72	107.10	145.01
Sweden (31)	168.69	−0.5	159.35	132.17	137.74	169.19	−0.9	2.32	169.58	157.44	132.87	137.28	167.64	200.28	149.69	169.05
Switzerland (60)	111.79	−0.1	105.60	87.59	91.29	97.56	+0.9	2.19	111.86	103.86	87.66	90.57	96.69	122.37	95.99	94.19
United Kingdom (227)	171.98	−2.4	162.46	134.74	140.41	162.46	−0.7	4.56	176.14	163.53	138.00	142.57	163.52	200.07	161.86	172.04
USA (522)	177.82	−0.3	167.97	139.33	145.20	177.82	−0.3	2.87	178.34	165.56	139.73	144.37	178.34	178.34	160.92	153.95
Europe (779)	136.56	−1.4	128.99	106.99	111.50	121.04	−0.1	3.91	138.45	128.53	108.48	112.08	121.16	156.88	131.31	137.14
Nordic (102)	152.70	−0.8	144.25	119.66	124.68	137.47	+0.5	2.10	153.95	142.92	120.63	124.62	136.82	188.52	141.24	174.25
Pacific Basin (713)	110.36	+0.7	104.25	86.47	90.11	88.25	+0.7	1.37	109.62	101.77	85.89	88.74	87.67	141.97	93.70	128.69
Euro – Pacific (1492)	120.96	−0.3	114.26	94.77	98.75	101.44	+0.3	2.53	121.29	112.60	95.02	98.17	101.12	145.21	113.80	132.38
North America (635)	173.89	−0.3	164.26	136.26	142.01	172.92	−0.3	2.88	174.38	161.89	136.64	141.18	173.41	174.38	158.70	152.55
Europe Ex. UK (552)	115.37	−0.6	108.98	90.41	94.22	98.54	+0.3	3.43	116.10	107.78	90.98	94.00	98.22	132.98	111.33	116.25
Pacific Ex. Japan (241)	151.26	+1.2	142.88	118.53	123.51	136.94	+1.2	3.62	149.42	138.71	117.09	120.96	137.34	175.31	146.06	143.23
World Ex. US (1683)	122.06	−0.2	115.32	95.66	99.68	103.53	+0.3	2.54	122.35	113.59	95.87	99.05	103.21	146.91	115.99	134.39
World Ex. UK (1978)	136.88	+0.0	129.30	107.25	111.77	122.78	+0.1	2.46	136.89	127.07	107.25	110.81	122.60	150.58	127.21	136.92
World Ex. So. Af. (2145)	139.92	−0.3	132.17	109.63	114.25	125.97	−0.1	2.68	140.28	130.23	109.92	113.57	125.90	153.05	130.04	139.21
World Ex. Japan (1733)	159.05	−0.5	150.25	124.63	129.89	151.37	[illegible]	3.36	159.92	148.46	125.31	129.47	151.56	165.40	151.93	148.06
The World Index (2205)	139.93	−0.3	132.18	109.64	114.26	126.30	+0.1	2.68	140.28	130.23	109.91	113.56	126.23	153.70	130.66	139.98

Latest prices were unavailable for this edition.